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# Royal Commission on Corporate Concentration

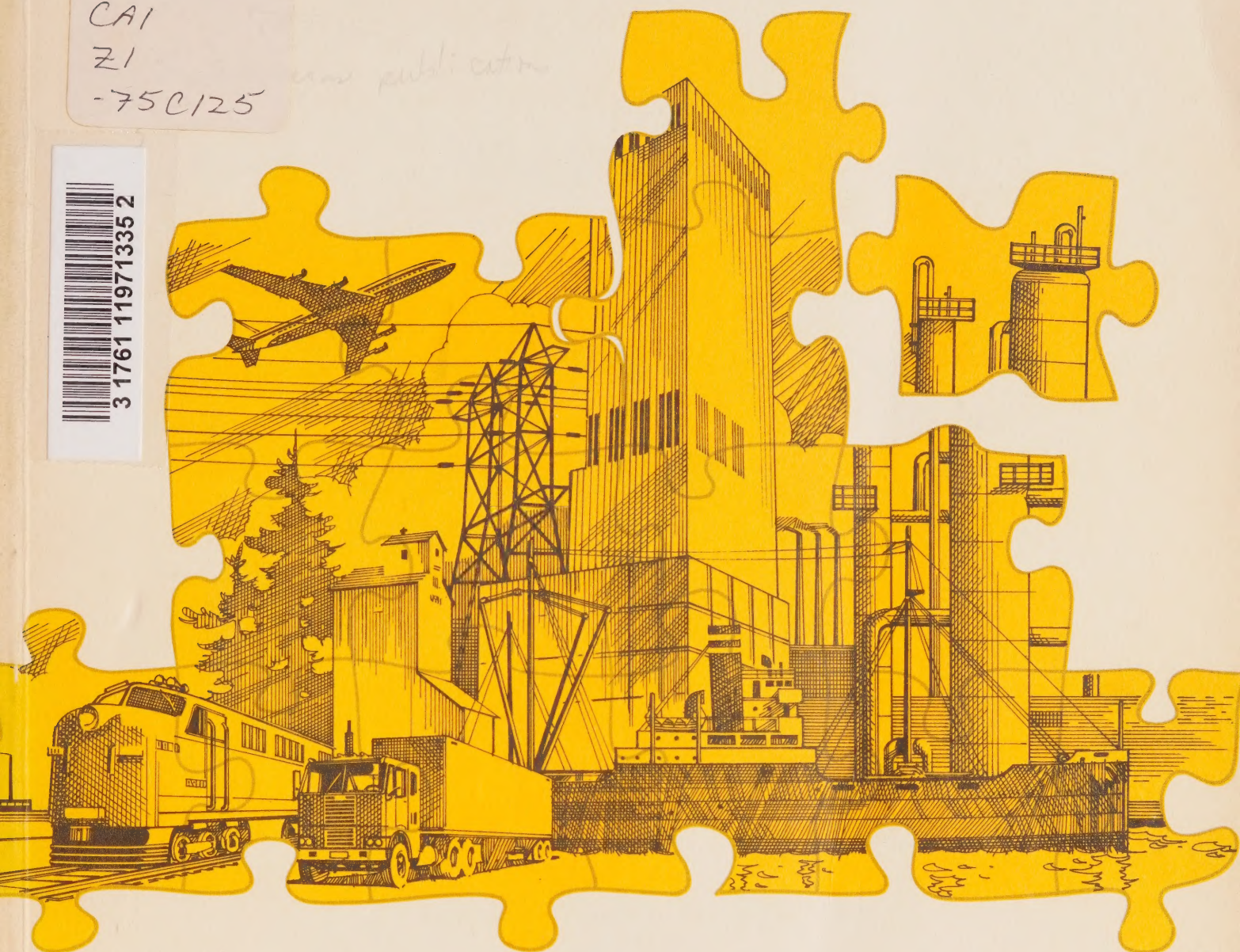
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STUDY NO. 25

## **Personnel Administration in Large and Middle-sized Canadian Businesses**

**A Background Report**



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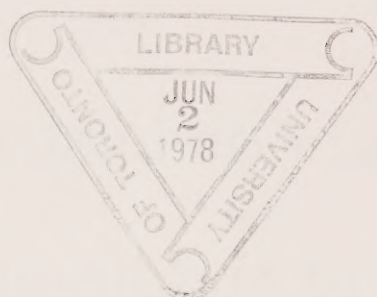
A Background Report

by

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and  
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November 1976



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## FOREWORD

In April 1975, the Royal Commission on Corporate Concentration was appointed to "inquire into, report upon, and make recommendations concerning:

- (a) the nature and role of major concentrations of corporate power in Canada;
- (b) the economic and social implications for the public interest of such concentrations; and
- (c) whether safeguards exist or may be required to protect the public interest in the presence of such concentrations."

To gather informed opinion, the Commission invited briefs from interested persons and organizations and held hearings across Canada beginning in November 1975. In addition, the Commission organized a number of research projects relevant to its inquiry.

This study on personnel administration in large and middle-sized Canadian businesses is one of a series of background studies prepared for the Commission. It compares a number of dimensions of employee relations practices in ten enterprises which are among the largest in their industries, with ten middle-sized but state-of-the-art enterprises in the same Canadian industries.

The authors are Professor Victor V. Murray and Associate Professor David E. Dimick, both of the Faculty of Administrative Studies at York University in Toronto. Professors Murray and Dimick have published previously in the areas of organization behavior, personnel management, and management-union relations.

The Commission is publishing this and other background studies in the public interest. We emphasize, however, that the analyses presented and conclusions reached are those of the author, and do not necessarily reflect the views of the Commission or its staff.

Donald N. Thompson  
Director of Research

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## CHAPTER 1

### PURPOSE OF THE STUDY

#### Introduction

The terms of reference establishing the Royal Commission on Corporate Concentration stated that it should look at the economic and social effects of such concentration. While the two are difficult to treat separately it is nevertheless possible to identify certain issues which could more meaningfully be considered as "social" rather than "economic". A number of the more important of these have been identified in the brief submitted to the Commission by Warwick and Craig.<sup>1</sup>

One of the less obvious but nonetheless interesting of these issues has to do with the way large businesses treat their employees. The number of people who depend on big business in Canada for employment runs into the millions. The basic questions of how many jobs these businesses can provide, how secure these jobs are and how well they pay are primarily economic issues better looked at in aggregate economic studies. Beyond the basic employment contract of work for pay, however, is the fact that employees spend about a quarter of their adult lives in a work setting and the totality of their experiences there has a profound effect on the overall quality of their lives.

It is important to question, therefore, what it is like to work for big business in Canada today. How do such businesses decide who to hire, fire, train and promote? How do they decide what benefits and services to offer in addition to the basic salary? More importantly, how do the largest, most heavily concentrated businesses differ, if at all, in their employee relations practices from those of lesser size? Are there any implications of such differences for public policy?

The study described in this report tries to provide at least a partial answer to these and related questions. In its ideal form, with unlimited time, resources and access to organizations, a study of the experience of work in large-scale Canadian business today would involve attempting to see and feel that experience from the point of view of a sample of each of the major classes or groups of employees across all organizational and occupational levels, in a large number of companies. Carried out by means of surveys, interviews and observations, it would seek to know their responses to the work they are assigned to do, the people above, below and around them, and the policies and practices that set the terms and conditions of their employment.

Such an ideal study was unfortunately not at all feasible because none of the conditions was available: neither the time nor the resources of money and staff nor the unlimited access to private organizations. What was feasible on the other hand was an attempt at least to better understand the "official" policies, programs and everyday practices which businesses create for the explicit purpose of attracting, motivating, developing and controlling their employees. Without being able to get at the detailed way in which superiors and other officials actually deal with employees on a face-to-face basis, one can nevertheless assume that the structure of policies, programs and standards

of practice acts as a very important determinant of these intimate face-to-face relationships, and in general, shapes that which is common in the work experience of large groups of employees in each organization.

#### EXISTING KNOWLEDGE ON THIS SUBJECT

On the surface it might seem that a survey of policies and practices of personnel management is not really necessary. As one of our respondents put it when first asked to cooperate in the study: "Surely all this material on personnel practices has already been collected. What do you have to do a separate study for?" For some specialists in personnel administration this must indeed seem to be the case, since they are continuously being asked to participate in surveys of one sort or another by all kinds of public and private organizations.

When one starts to look into these surveys a little more closely, however, a couple of interesting points emerge: the surveys primarily cover salaries, the more common benefit plans (pensions, insurance, etc.) and time-related issues such as number of holidays, vacations, etc. They do not attempt to cover the underlying policies behind these practices, nor do they delve frequently into a number of other personnel activities such as recruitment and selection methods, manpower planning, promotion and separation policies, training and development activities, health and safety practices, disciplinary codes, and other areas not directly related to monetary costs.

Aside from wage and salary surveys by government bodies such as Canada Manpower, the bulk of the remainder of such studies are conducted by industry associations which cover a deliberately restricted population; or by private consulting firms who make the results available only to subscribers. Few of these sources attempt breakdowns of the results according to company sizes, nor indeed any other form of analysis. Their efforts are largely descriptive.

In addition to the paucity of publicly accessible Canadian data there is similarly very little existing scholarship in the area of why personnel policies and practices are as they are. So far as we can tell there are only two empirical studies and two theoretical works which have dealt directly with the question of what shapes the various components of human resources administration.

Ling<sup>2</sup> has published a very broad scale history of the personnel function in U.S. industry. In an essentially speculative and unstructured fashion, the emergence of various personnel programs and practices are linked to a set of historical events or periods: industrial and technological evolution; the welfare movement; education; organized labor and labor legislation; factory legislation; World War I; industrial medicine; the development of psychology, sociology and business management as separate fields of study; the professionalization of occupations related to business; the Depression and World War II. The value of this study in the present context is primarily as a source of possible hypotheses.

The other empirical study of note is one recently published by Morley<sup>3</sup> in which the presence of a variety of employee support and welfare services (medical, personal counselling, training and vocational guidance and organizational development activity) was measured in a sample of 23 large Boston-based

manufacturing firms. The nature and extent of these policies was correlated with 11 situational characteristics in each organization. The choice of these independent variables was derived largely from inferences and deductions found in a variety of what has come to be known as the contingency theories of organization particularly that of Pugh et al.<sup>4</sup>

Morley by and large did not systematically develop a priori hypotheses regarding these independent variables and the extent of employee welfare services though a few were suggested in casual terms. The main results were obtained through a factor analysis of the 11 independent variables. Correlation between the factor scores and the dependent variables produced the following general results:

Factor C (relative volumes of sales per employee) makes the largest contribution to prediction of services, accounting for 37 per cent of variance. This can be interpreted to mean that high levels of sales per employee will be consistently associated with high levels of support services, and vice versa. Thus, despite the lack of measures of profitability, return on investment and so forth, the economic aspects of organizational life predict best.

Factor D (size and participation in the producer market) makes the next greatest contribution, and combined with Factor C raises total variance accounted for to 55 per cent, indicating that plants with smaller, stabler populations which manufacture for producer markets will have poorer services than their large neighbors serving consumers and the government.

Third comes Factor E (industrial status and dynamics) increasing variance accounted for to 71 per cent. To a moderate extent, independent dynamic organizations have better services than stable bureaucratic ones.

Factor A (business, technology and population characteristics) surprisingly accounts for a tiny 3 per cent of variance. Provision of human support services, it seems, is not directly related either to a plant's business activities or to its membership characteristics.<sup>5</sup>

From a purely theoretical perspective Evan<sup>6</sup> has suggested how five common cultural values identified by Kluckhohn and Strodtbeck may come to be reflected in personnel selection policies, training practices and communication systems. However, research by Keaveny<sup>7</sup>, and Pinder and Pinto<sup>8</sup> indicates that the direct correlation between values and organizational policies is likely to be rather low.

Finally, there are the original ideas advanced by Glueck<sup>9</sup> in his recent text on personnel administration in which a complex model of environmental influences is presented. Among the more important contextual variables presented are: societal influences, requirements of government and unions, economic conditions, organization size, technology, and the volatility and complexity of the organization's environment. These are then more or less systematically related to each of the topic areas in the book. Unfortunately it is not always clear whether the relationships hypothesized are prescriptive or predictive;

i.e., "If you are an organization of a certain size with a certain technology, etc., this is what you should do" or "Organizations of size X, technology Y, etc., will be found in fact to be more likely to possess these policies and practices rather than those".

In summary it can be said that though there has been some work directly on the question of why personnel policies are as they are, it is mostly suggestive rather than definitive. Certainly no one has attempted a survey of the whole gamut of personnel policies and practices in Canada, nor has anyone carried out a comprehensive analysis of factors shaping these policies.

Turning to the particular question of the effects of organization size there has of course, been a long standing interest among social scientists in the question "how big is too big" in business as well as other types of organizations. That research which has not been primarily into the economic effects of size has tended to look either at the effects of size on organizational structure (testing the general proposition that increasing size increases the degree of bureaucratization in a company) or its effects on interpersonal relations.<sup>10</sup> In general the results suggest that size alone does not have a uniform and unvarying effect on structure and has little or no relationship to the nature of interpersonal interactions between co-workers or superiors and subordinates.

What has not been investigated, however, is the relationship between size and the nature of predominantly non-economic policies and programs aimed at the management of human resources. It is this relationship which forms the prime focus of the study reported here.

#### OUTLINE OF THE STUDY

Before outlining the main questions to which the study sought answers, it may be well to begin with a reminder as to what the study is not. It is not a study of basic economic issues such as the number and type of jobs provided in very large versus smaller businesses; nor is it a detailed examination of "who pays better" (though a limited look at this is taken); nor does it seek to establish whether a big company offers more work security than one less big (though again emphasis on job and financial security are examined in a limited way). These are all questions related to the economics of corporate concentration and are thus best dealt with elsewhere.

It is also true that, because of the limited time and resources available, the study is not an in-depth examination of single specific important issues, such as industrial health and safety, in the same way, for example, as the recent Ontario Royal Commission on these conditions in the mining industry. Again, however, we did seek to establish the general policy and standard practices of each company with regard to the health and safety of its work force.

Finally, the study was not able to address itself to perhaps the single most important "social" issue surrounding the matter of corporate concentration, that of the degree of power held and used by the so-called corporate elite of Canada. This elite, as described by such writers as Porter, Clement and, in a more popular vein, Newman,<sup>11</sup> is primarily that group of people who are the owners, major shareholders, Chief Executive Officers and Board-of-Director members of the largest and most important Canadian businesses.

That such a relatively homogeneous and small group of top business leaders exists is not seriously in question. What does remain at issue is the process by which they make decisions. In particular, evidence is badly needed on such matters as the amount and kind of influence elite members exert on each other when deciding various types of policy questions: their influence over government legislation, bodies and departments, and their actual power within their own organizations. As will be seen below, our study does address the last of these questions with regard to policy decisions in the area of personnel administration. It also provides some interesting information on the background and work experience of those immediately beneath the "elite" in their organizations: the top level operating executives whom some scholars such as Galbraith<sup>12</sup> see as even more powerful than the conventional elite in shaping the direction business will take.

Having begun with this discussion of what the study is not; let us now outline some of those questions for which it does seek answers.

1. Do the companies who took part in this study deliberately seek to pay wages in the top, middle or lower segments of the pay ranges existing in the labor markets?
2. Are the differentials in pay rates between jobs within a company based on a rationalized system of job evaluation or not? Does this relationship vary with the size of the company?
3. What is the policy and actual practice regarding the role of "merit" or performance in determining pay and promotion (demotion or termination)?
4. What are the companies' policies regarding the provision of security for employees as manifested by programs to provide both job security and financial security through benefit plans covering disability, sickness and retirement?
5. Do companies differ, depending on their size, with respect to the number and kind of programs they provide for the training and development of their employees?
6. What services are provided to safeguard the physical and emotional health and safety of employees?
7. What additional benefits, services and programs are provided to attract, retain, and elicit effort from employees?
8. How much do companies feel a need to promulgate rules and disciplinary codes to control employee behavior at the work place?
9. How much upward and downward communication takes place regarding personnel policies and practices?
10. Finally, how are decisions made concerning various personnel policies and practices?

#### ORGANIZATION OF THE REPORT

The remainder of this report is organized as follows: Chapter 2 discusses the methods by which we gathered our information on personnel policies and practices. It also describes in more detail the sample of companies studied. Chapter 3 presents a conceptual framework which provides a means for organizing the vast array of specific policies into manageable clusters. Chapters 4 - 7 examine the results of the study. Finally, in Chapter 8, the main conclusions are summarized and their implications for public policy and the field of personnel management in Canada are discussed.



## CHAPTER 2

### RESEARCH METHODS

#### Introduction

This chapter summarizes the research methods used in conducting the study. It focuses on three main aspects of our procedures: the criteria used to select the sample of companies, the techniques used in data collection, and the analytic procedures which were employed.

The basic question raised in this study is whether there are important differences in the employment policies and practices of large and medium-sized companies. We selected ten of the largest companies in Canada and ten companies which were medium sized, but were in the same industry groups as the large companies. The motivation was twofold: (1) to present a broad cross-section of the private sector in Canada, and (2) to control the influence of industry on the results of the study. There are many other factors which may influence employment practices which we could not control, such as profitability, growth rates, and collective bargaining agreements. The limited size of the sample precluded the use of statistical controls on such influences. This study relies on the in-depth nature of data collection procedures to identify those cases where influences other than size may be strongly affecting our results. What is presented in this report is a summary of 20 case studies from which only probabilistic conclusions should be drawn.

#### CRITERIA USED FOR CHOOSING THE SAMPLE

The main focus of this study was the effect of corporate size on personnel policies and practices. The distinction investigated was between very large companies and medium-sized companies. The importance of the medium-size classification is that it includes organizations which are large enough to utilize many of the advanced techniques or programs which can be applied to managing human resources. This is not true of smaller employers (with only 200 or 300 employees). In addition to potential for fully developed programs, companies of medium size represent the only plausible alternative (if any plausible alternative exists) to high levels of concentration. Thus, the comparison of large and medium-sized companies was judged to be quite useful.

Companies were selected to represent as broad a cross-section of the private sector as possible. The selection of companies was constrained slightly by the reluctance of certain organizations to participate, by overlapping choices with other research projects being supported by the Commission, and by the unavailability of a medium-sized company in some industries. However, the 20 companies selected did reflect a wide and representative range of industries and geographical locations. This is reflected by the summary provided on Table 1.

Within each industry identified in Table 1, a very large and a medium-sized company was selected according to the following criteria:

##### Large Companies

1. In the Canadian context, the companies were large. The large companies in the manufacturing group were among the top 100 companies in Canada in 1975 when those companies were ranked on the basis of sales.<sup>13</sup>

Table 1

BASIC CHARACTERISTICS OF THE SAMPLE

Sectors of the Economy

Primary Sector:

Mining  
Petroleum

Secondary Sector:

Electrical Products  
Food Products  
Meat Packing  
Paint

Tertiary Sector:

Retailing  
Insurance  
Banking

Transportation:

Air Transportation

<u>Geographical Distribution</u>	<u>Head Office</u>	<u>Separate Branch or Plant Visited</u>
Atlantic	1	-
Quebec	4	-
Ontario	11	7
Prairies	1	2
B.C.	3	-

All but one of those ranked in the manufacturing group were in the top 50.  
Financial and retailing organizations held similar positions in their own group.

2. Total sales in 1973 were at least \$200,000,000.<sup>14</sup>
3. Total employment in 1973 exceeded 5,000.<sup>15</sup>
4. The companies selected were among the four largest companies in their particular industries.

Middle-Sized Companies

1. The number of employees ranged from a minimum of 450 to a maximum of 5,500.
2. Their revenue and employment levels were usually less than 20% of the corresponding figures for their larger counterparts.

It should be remembered that the meaning of large and medium size differs from one industry to another. In some industries, a middle-sized company may have more sales than a large company in another industry. We have controlled for this somewhat by using the 6,000 employees as a dividing line. Actual sizes of companies in terms of employment and "sales" are reported in Table 2.

Table 2

SIZE CHARACTERISTICS OF THE COMPANIES STUDIED\*

Industry	<u>Large Company</u>		<u>Medium-Sized Company</u>	
	<u>Employees</u>	<u>Sales or Revenues</u>	<u>Employees</u>	<u>Sales or Revenues</u>
		<u>\$ Millions</u>		<u>\$ Millions</u>
"A"	60,000	1,000	5,500	500
"B"	30,000	1,700	3,000	200
"C"	24,000	1,200	700	50
"D"	19,000	700	3,900	100
"E"	12,500	2,100	450	100
"F"	12,400	1,500	2,500	200
"G"	9,000	500	900	30
"H"	8,500	900	2,000	200
"I"	8,000	200	700	30
"J"	6,700	300	1,700	40

Note: Companies ranked by level of employment.

\* - Data have been rounded off to ensure anonymity of participating companies.

It is interesting to note a general pattern of similarity in the general outlines of the employee groups found in the two size categories. Illustrative data are presented in Table 3, based on data provided by the participating companies.

The occupational structure is quite similar with a predictable difference in the percentage of management personnel, more being required to manage the larger and more complex organizations. The age, experience, and education variables seem to imply a pattern. The large employers seem to have a moderately older and longer tenured work force. Thus it is consistent that they would have slightly less education, as a group. The difference in the percentages of males and females may also be attributed (in part) to the fact that the recent influx of women into the labor market may have affected the male-female mix of the medium-sized firms more strongly, given their younger and shorter tenured work force.

In all, however, there were no indications in our review of the participating companies which indicated that the employment needs of large and medium-sized companies were substantially different.

Table 3  
CHARACTERISTICS OF EMPLOYEES

<u>Occupational Groups</u>	<u>Large Companies</u> (average percentage)	<u>Medium-Sized Companies</u> (average percentage)
Production and other Blue Collar jobs	45%	43%
Office Jobs (non-supervisory)	22	26
Sales	8	7
Technical and Professional jobs	9	9
First level Supervision	8	8
Higher Management	9	6
<u>Educational Attainment</u>		
Less than High School	34	29
H.S. Completion	46	50
Completion of some work beyond H.S.	12	14
Completion of a degree	8	7
<u>Sex</u>		
Male	66	60
Female	34	40
<u>Age</u>		
Less than 21 years	8	13
21 to 30 years	30	30
31 to 40 years	23	23
More than 40 years	39	34
<u>Company Experience</u>		
Less than one year	12	19
1 to 3 years	23	28
3 to 10 years	26	26
More than 10 years	38	26

## DATA GATHERING PROCEDURES

Gathering complete and accurate information on the full range of personnel policies and practices is a formidable task. (One handbook for personnel specialists suggests 170 areas in which employers may wish to formulate policies.)<sup>16</sup> This study did focus on a wide and representative range of employment policies and practices, but constraints of time and access precluded coverage of every detail.

It was also beyond the capacity of this investigation to verify the accuracy of the information provided by the participating companies. It is possible that different representatives of a particular company may differ in their description or assessment of employment practices. It was necessary to presume that the information provided was essentially accurate and unbiased. Some cross-checks were made in areas judged to be especially important or prone to differences in perception.

Another research design problem emerged from the multi-division character of several large companies in our sample. The following measures were used to minimize the impact of this diversity on our large versus medium-size comparison. In such companies, the initial focus was on those aspects of employment policy which applied across all "divisions". Subsequently, major operating locations were visited and checked with regard to policies and practices specific to them. These operating locations were chosen to correspond as closely as possible to the major area of activity in the medium-sized company in the same industry.

The data were gathered in two stages and by means of two questionnaires and three interview schedules. The first questionnaire preceded the interviews and was sent to the participating companies following their agreement to be part of this study. (The companies were first approached by the Royal Commission's Research Director.) The cooperation shown by our respondents was generally excellent, and was most appreciated.

### Instruments Used

1. The first data gathering instrument was a Pre-Visit Questionnaire.<sup>17</sup> It was designed to obtain basic information on the ownership of the firm, its structure, economic performance, and characteristics of its labor force. It also requested information about those personnel policies and programs which were the most "cut and dried"; i.e., those that are relatively unambiguous, factual, and most likely to be accessible via records or files. For example, questions about benefit plans and practices regarding various forms of time off work (holidays, vacations, sick leave, educational leave, maternity leave, etc.) were included in this questionnaire. We asked the respondents to complete and return the Pre-Visit Questionnaire before we visited companies to conduct interviews so that we could become familiar with the company and some of its policies. Unfortunately this was possible only in about half the cases.

2. The second instrument was an Interview Schedule designed primarily for use with personnel specialists. This schedule covers virtually all other aspects of the firm's personnel policies, programs and practices not covered by the Pre-Visit Questionnaire. It was used at two levels. Company-wide matters were obtained from corporate head office specialists, while plant, branch or subsidiary policies and practices which were unique to that location were

obtained from the most knowledgeable person in that setting. A certain number of the same questions were asked at both levels, corporate and plant, in order to get a limited verification check.

3. We also asked each of the companies to let us talk to between three and five "line managers". The average number actually interviewed was four per firm. These managers were meant to be "typical" of operating management personnel from the middle level (department or division heads) down through section heads, superintendents, etc., to first level foremen and supervisors. The purpose was both to get original data and to verify data on the actual practices followed in the implementation of personnel policies and programs (e.g., performance appraisal, salary setting, training and development, discipline, time-offs, etc.). We also asked these managers about their attitudes and opinions concerning these policies and about the service provided them by their personnel specialists.

It would have been an easy matter, of course, for those in charge of our visits to the company to arrange "safe" interviews with line managers who could be counted on to recount the official "line" and not be critical. Although we had no way of checking, it nevertheless seemed to us that this rarely occurred. The managers interviewed usually seemed surprised at being selected and few showed any hesitation or nervousness in criticizing what they thought to be unsuitable programs or policies. On the other hand we did find relatively few cases in which the practices reported by line managers deviated significantly from those claimed by the personnel specialists at plant or head office level. On balance, our judgment is that lack of candor was not a serious influence on our data gathering efforts.

4. In addition to line managers we also asked to talk to at least one official of the largest union (if any) represented in the company. The purpose was to obtain the union's perception of certain of the company's policies and practices for verification purposes and to learn its attitudes and feelings about these. Unfortunately we were either unable or not permitted to interview union representatives at three of those respondents who had unions though we did obtain an interview in the remaining ten.

In total we interviewed 51 corporate level personnel specialists, 16 plant or branch level specialists, 73 line managers and 10 union representatives; a total of 150 respondents in all.

5. The final data gathering instrument used was a short (one page) questionnaire aimed at obtaining biographical data on those most likely to affect key personnel policy decisions. This was the top level management of the company and the corporate level personnel specialists. "Top level management" was defined as the chief executive officer, all those reporting directly to him, and all those reporting directly to that second level of authority. In most firms this amounted to between 20 and 40 executives.

We did not feel we could reasonably ask our respondents for a great deal of information on their personal backgrounds. Our pilot studies indicated it would have taken too much time and been seen as too great an invasion of privacy. We did however obtain a record of their formal education, place of origin, and immediate previous work experience (employer and job title for their past three positions). In all, this type of background information was obtained from 699 top level executives and corporate level personnel specialists.

## METHODS OF DATA ANALYSIS

This study is essentially descriptive. Twenty companies were examined in some detail with respect to their employment practices and programs. The main data handling task was to structure the results of what were (in essence) twenty case studies so that the effects of differences in company size could be identified.

A significant part of the analysis process was implicit in the construction of interview and questionnaire instruments. We subsequently reduced the data by identifying a number of dimensions which reflected basic elements of the employment posture assumed by the companies in our sample. These dimensions are reflected in indexes which are used to summarize the descriptive results in the study. The index values are our way of identifying the nature of the patterns observed in these companies. The analysis uses the indexes and supplements them with specific examples which illuminate the issues being discussed.

The composition of the indexes is described in the separate "results" sections. For the most part, the indexes are percentages which reflect the intensity or frequency of a particular pattern of employment practice.

The task of inferring the meaning from the results of this study was not a statistical task. The indexes were useful as a technique for summarizing information. Statistical tests of differences could have been used, but their utility would have been highly limited. The research made was a structured set of case studies. Inference is therefore a task of assessment and judgment.



## CHAPTER 3

### CONCEPTUAL FRAMEWORK

Because of the vast array of disparate policies, programs and practices in the area of personnel administration, it is important to have some basis for reducing them to a smaller, more manageable set of categories which reflect general patterns which can be compared across organizations.

Conventionally, the plethora of policies and programs have been grouped according to certain traditional sub-functions of the job of the personnel specialist, such as compensation and employee benefits, recruiting and selection, training and development, and union-management relations. To a certain extent we follow this grouping in the present study primarily because it is the one most familiar to most readers. The major drawback to strict adherence to this approach is that it does not by itself answer the question "so what?". That is, one may describe how various firms go about the matter of manpower planning or performance appraisal or selection but the question remains: what is the significance of these practices? What do they tell us about management's attitude or posture toward its employees? It is important to ask whether various and diverse policies and practices combine to create a certain climate of employee relations.

To appreciate better the underlying assumptions and larger scale patterns reflected in the conventional categories of personnel policy and practice it will be useful to preface the presentation of our study results with the following conceptual framework.

The bulk of personnel policies, programs and practices are a response to two basic needs in every organization: (1) a human resources logistics need and (2) a human resources motivation need. A third need may exist: that of meeting a certain set of social pressures or moral obligations to treat past, present and future employees with certain considerations and generosity even though such treatment has little or no obvious relationship to the first two needs.

Human resources logistics simply means the need to obtain suitable people for each job, to make sure they are in those positions at the time they are needed to do what is expected of them and that they have or develop the necessary skill, knowledge and ability. Human resources motivation is important because no matter how suitable people might be in terms of ability, they must be motivated to perform, at least up to some minimum standard.

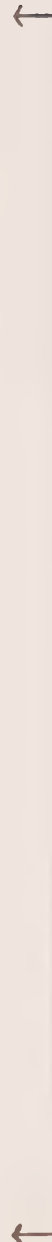
Given that these two organizational "needs" exist, there is still considerable latitude in how policy makers feel they can best be met. The particular means chosen to ensure that the "right" people are in the "right" place with adequate motivation will be a function of some combination of external pressures and constraints on the decision makers plus the effects of their past experience and existing attitudes and beliefs--all of which can vary greatly from one firm to another and over time.

The traditional personnel functions serve the three general organizational needs in the manner suggested in Table 4.

Table 4

BASIC ORGANIZATIONAL NEEDS AND THEIR ASSOCIATED PERSONNEL POLICY AREAS

Human Resources Logistics Need: Policy Areas of Direct Relevance	Human Resources Motivation Need: Policy Areas of Direct Relevance	Social Initiative Need: Policy Areas of Relevance
<ul style="list-style-type: none"> <li>- Manpower Planning</li> <li>- Recruitment and Selection</li> <li>- Training and Development</li> <li>- Employee Mobility</li> </ul>	<ul style="list-style-type: none"> <li>- Job Evaluation and Compensation</li> <li>- Employee Benefits and Services</li> <li>- Merit Emphasis</li> <li>- Intrinsic Motivation</li> <li>- Control and Turnover</li> </ul>	<ul style="list-style-type: none"> <li>- Special programmes for "disadvantaged groups"</li> <li>- Employee health and safety programme areas</li> <li>- Counselling services</li> <li>- Benefits for employees' dependents</li> </ul>



Structure and Process Characteristics  
of Personnel Administration:

- Sophistication
- Decision-Making Processes
- Management Backgrounds
- Formality
- Downward Communications

There is a certain kind of logical interrelationship between the policy areas in each section of Table 4. For example, to meet the human resources logistics need, management always has some idea of its manpower needs (demand) and manpower availability both internal and external. In its most sophisticated form the demand side is derived from overall organization objectives and strategies based on forecasts of growth, expansion, profit levels, etc., coupled with studies of job design and employee productivity. Similarly, estimates of manpower supply may be based on specialized studies of external labor markets and elaborate charting of employee career paths and the provision of development opportunities. In its least sophisticated form management's impressions of manpower supply and demand may be based on informal, fragmented, hearsay information lacking any kind of system or future orientation.

Given some impression of the need for various types of employees, the recruitment function operates to find suitable applicants from outside the organization and the selection function to choose among them. Internal candidates may be generated through the application of a program of performance appraisal aimed at revealing who is most suitable to promote, transfer, demote or terminate. Similarly, gaps in the skill or knowledge of candidates may be filled by providing various training opportunities or specially tailored developmental experiences.

The end product of the logistics process is the provision of policies to guide the actual decision-making on employee mobility.

To meet the human resources motivation need a wide variety of policies and programs are to be found, each reflecting its own set of assumptions about what motivates a person to remain in an organization and exert effort in job performance. The two largest policy areas in terms of time and cost are those of employee compensation and "benefits and services". Again these may be handled in a sophisticated or unsophisticated fashion. On the one hand compensation may be based on elaborate surveys of pay rates in the labor market and through systems of job evaluation for determining internal differentials and the relative values of different jobs. Similarly, the terms of such benefits and services as pension plans, supplementary medical plans, life insurance, disability pay, education tuition repayment schemes, transportation allowances, etc., all may be based on comparisons with practice elsewhere as revealed by benefit surveys. On the other hand both pay and benefit policies may simply reflect tradition as modified by forceful demands from unions and government legislation of minimum working conditions.

The matters of performance appraisal, training and employee mobility have a role in meeting both "logistics" and motivational needs. They ensure that suitable people get placed in the right position at the right time, and they also carry a heavy motivational impact which most employees recognize. By signaling to an employee how much he or she is valued and appreciated, they can elicit a considerable psychological response.

Other motivational activities found in some firms are those of job design structures for employee participation in decision-making and organizational development which we discuss under the heading "intrinsic motivation". Job design is aimed at shaping job content to explicitly meet employee needs. Organizational development is a set of techniques deliberately intended to reveal

and confront a variety of negative attitudes which inhibit effective organizational performance. Employee participation structures are means of allowing employees to influence decisions which affect them.

Finally there is the converse of the many positive inducements to perform which appear in the form of rules which constrain and control employee behavior along with forms of discipline for those who fail to abide by them.

The area of the need to fulfill various social and moral expectations and obligations is necessarily rather ambiguous in that there are many policy matters which could be seen by managers as either motivational devices or acts of social initiative. For example, programs to safeguard or enhance employee safety and health may serve to attract or retain personnel or simply be seen as something that a "good corporate citizen" should provide for its employees. The same could be said about programs to provide professional counselling for employees with personal problems, or educational assistance for employees' dependents. Perhaps the single policy area which most unambiguously reflects a social responsibility orientation on the part of managements is that of making special efforts to hire, train or promote members of various kinds of socially disadvantaged groups such as recent immigrants, the poor, handicapped persons, persons with criminal records, etc., and recognize the changing status of women.

The policies and programs listed under the three headings in Table 4 comprise the major substantive areas investigated in our study. Of each of them we basically want to know what is being done in our sample of companies, what is the meaning of what is being done, and what patterns of attitudes and values are created by various clusters of specific policies and practices.

In addition to these substantive areas, however, there are several questions of structure and process surrounding all policy issues which are of considerable influence in themselves on the overall climate of employee relations. These questions all have to do with the way decisions on personnel policies and programs are made.

Thus one can identify a loose constellation of conditions which together indicate what might be called the "sophistication" of the policy-making process. As explained more fully below, it is comprised of the overall amount of activity in this area: the extent to which this activity is planned or "proactive" rather than solely "reactive" to unanticipated conditions, the extent to which activities are evaluated, and the awareness of the systemic or interdependent nature of personnel policies with each other and with other areas of policy and practice.

Another aspect of decision-making is the formality of its structure; the extent to which an organization feels it necessary to write, codify and make official its practices in matters such as work rules and discipline, time on and off regulations, performance appraisal methods, manpower planning procedures, etc.

Aside from the formality of the end product there is the actual decision-making process itself--where ideas for policy are generated, where they are approved and by whom. Thus one can ask about the role of specialists or experts in the personnel administration function and the level at which decisions are taken. The latter may range all the way from the Board of Directors down

to the bottom of the management hierarchy and may involve zero to maximal contributions from non-management employees or their representatives.

Finally, as noted earlier, there is the interesting question of the educational and work histories of the two groups most closely involved in the decision-making process--the top-level operating executives of the company and the personnel specialists.

Policy and program decisions, once made, must be communicated to those affected by them. In addition, some means may or may not be provided for obtaining upward communication on the reactions of employees to these matters. The nature and extent of this two-way communication form the last aspect of overall structure and process we look at.



## CHAPTER 4

### RESULTS OF THE STUDY:

#### HUMAN RESOURCE LOGISTICS

##### Introduction

Organizations are faced with the need to acquire and deploy people to complete clusters of tasks which are frequently referred to as "jobs" or "positions". This logistics aspect of human resource management can be thought of as a management task. The actions an employer can take in meeting logistical requirements may also influence the motivation of employees, but there is a useful grouping of employment practices which are an implicit response to the logistics needs.

People must be attracted to an employer, selected, assigned and trained. These activities may be deliberate and rationalized or they may be little more than responses to pressing circumstances. This section compares the human resource logistics practices of the companies which participated in the study. The topics covered are the identification of human resource requirements, recruiting and selection practices, training and development, performance appraisal and employee mobility, and human resource planning.

##### IDENTIFYING HUMAN RESOURCE REQUIREMENTS

A procedure for identifying human resource needs which was used fairly consistently throughout our sample of large and medium-sized employers was that in which the initiative rests with managers other than personnel specialists. Their techniques for identifying how many people are needed, and in which positions, derive from their own unique situations and are beyond summary in this report. Certain patterns did become apparent during the course of our interviews, however.

First, it was more difficult to obtain authorization for a new position than to fill a vacancy resulting from a promotion, transfer, or termination. This is largely a result of organizational attempts to control employment costs. In at least four companies in our sample the president, or a management committee of which the president was a member, had to approve all new positions. Divisionalized companies often placed this authority in the hands of the vice-president involved.

Second, authorization was more difficult to obtain during times of economic restraint in the company, which often takes the form of embargoes or hiring freezes. This is not always a precise way of allocating financial resources to the most pressing human resources. (One large employer recounted serious problems that they are now facing with regard to engineering talent because of an across-the-board freeze which was implemented several years ago.)

Third, the role of the personnel (or employee relations) department is to serve as a conduit. There was no instance in our study where the personnel specialists developed autonomous estimates of personnel requirements. Rather, they served as a means of producing candidates for job vacancies identified by the remainder of the organization. Occasionally the "line" departments would completely circumvent the personnel department and simply present the new employee for record-keeping purposes. This was not a consistent pattern.

Personnel departments vary considerably in the clout they can wield in the choice among applicants, but they usually are the vehicle for the initial company/applicant contact.

#### RECRUITING EMPLOYEES

There are two sources of candidates to fill vacancies within an organization-- people who are presently employed elsewhere in the organization and those who are not. The use of present employees will be discussed in a later subsection. Since the promotion-from-within ethic is quite strong, the positions into which people from outside are most frequently hired are entry-level positions. Recruiting practices identified in the companies studied are described in Table 5. We classified each source of recruits according to whether it was rarely used, occasionally used or frequently used. This was done for each of the employee groups identified at the top of the columns. The numbers tabled indicate the number of companies in the "large" and "medium-sized" group which made frequent use of the various sources. For the first three categories listed (blue collar, office workers, and sales personnel), the most widely used recruiting method was the unsolicited application. There was no significant difference between the large and medium companies. Newspaper advertisements were important secondary sources for these employee groups and referrals from present employees were an important source for a small number of large employers.

Technical and professional employees were recruited most frequently from unsolicited applications and by use of newspaper advertisements. Roughly half of both the large and medium-sized companies frequently used these modes of recruiting such personnel. The only substantial difference between the two groups was in the area of college and university recruiting. Eight of the large employers did such recruiting frequently, but only two of the medium-sized companies did so. Anecdotal evidence suggests that many smaller companies do not recruit at post-secondary schools because of (a) their need for experienced people who can be fully effective shortly after hiring without additional training and (b) their perception that such graduates may be overqualified or have expectations inconsistent with what the smaller company can offer.

Management personnel are frequently hired into companies years before they become managers. The strong emphasis on promotion from within is discussed later in this section. The two columns on the right-hand side of Table 5 indicate how the large and medium-sized firms in this study sought first level and higher levels of management from the outside. The first choice of these employers is frequently the newspaper advertisement. Some recruiting was also done at post-secondary schools. The use of private employment agencies was the first choice of a few employers; they used them as a way of reducing the floods of applications which they received if jobs were advertised in the paper with the employer identified as the contact for applicants. More frequently expressed opinions about private agencies were somewhat critical, usually on the bases of cost and spotty performance. While there was some variance, many employers regarded employment agencies as a "second resort" except for certain specifically defined skill areas.

Table 5

"FREQUENTLY USED" RECRUITING TECHNIQUES FOR DIFFERENT EMPLOYEE GROUPS

(NOTE: L = Number of Large Companies  
M = Number of Medium Companies)

	Blue Collar Employees*		Office Workers		Sales Personnel*		Technical and Professional Personnel		First Level Supervision		Management above First Level	
	L	M	L	M	L	M	L	M	L	M	L	M
Unsolicited Application	7	8	7	8	4	6	5	5	2	4	0	1
Newspaper	5	5	7	6	4	4	5	4	4	4	4	5
Radio/T.V.	0	1	0	1	0	0	0	0	0	0	0	0
Private Employment Agencies	0	0	0	2	0	1	0	2	1	2	2	1
Canada Manpower	1	3	1	2	0	0	0	0	0	0	0	0
Secondary Schools	0	1	0	1	0	0	0	0	0	0	0	0
Colleges, universities	0	0	0	0	2	0	8	2	4	2	2	0
Referrals	3	0	4	0	2	0	2	1	1	1	1	1

\* The maximum number of companies in these job categories is 9 rather than 10. The banks (large and medium) did not have employees in these categories.

Two other observations should be made about recruiting practices. First, virtually no recruiting was reported at secondary schools. This is an apparent result of the abundance of people available with this background--they show up as "walk-ins" or as respondents to newspaper advertisements. The other observation is the utilization of Canada Manpower. Several employers indicated "occasional" use (and therefore are not shown in the table). The numbers were not as informative as a pattern which emerged from the comments which were made. A few employers were categorically negative about the quality of applicants which were referred by Canada Manpower. More employers reported highly variable results. They found that some offices were very good, especially if the employer could consistently work with a particular counsellor and give the counsellor feedback as to the company's assessment of the applicants. Where this kind of arrangement was not possible, they were often frustrated and turned to Canada Manpower less frequently. Thus employers who saw the agency as considering their needs as well as the applicants' needs were more favorable toward Manpower.

### Summary

There is a strong similarity in the recruiting practices of the large and medium-sized companies in this study. The major difference is in the substantially greater use of post-secondary institutions by the large companies. Heavy use is made of unsolicited applications and newspaper advertisements. Private employment agencies and referrals provide a secondary source of applicants. Radio and television, the secondary schools and Canada Manpower were rarely used, although there was an interesting pattern of variability with respect to the use of Canada Manpower.

### SELECTING EMPLOYEES

Choosing among applicants is an exercise in prediction. Information of various kinds from various sources is gathered and evaluated. The result is a "yes" or "no" decision. We asked the employers participating in this study which of a wide range of possible techniques they used in making selection decisions.

The results (Table 6) indicate frequent use of application blanks, a heavy reliance on interviews, and moderate to heavy use of reference checks and physical examinations. The entries in this table indicate the number of companies which frequently employ the various techniques.

Application blanks and screening interviews were used in most companies to assure that at least some minimal match between applicant qualifications and job requirements exist. The important part of the decision process was (with very few exceptions) the employment interview. Who conducted the important interview varied. In some companies, both large and medium-sized, the personnel department had a major impact on the final selection decision when blue-collar and office personnel were being hired. The decision-making role was assumed more and more by potential supervisors and others as attention shifted to professional, technical and managerial personnel.

Table 6

## "FREQUENTLY USED" SELECTION TECHNIQUES FOR DIFFERENT EMPLOYEE GROUPS

(NOTE: L = Number of Large Companies,  
M = Number of Medium Companies)

Technique	Blue Collar Employees*		Office Workers		Sales Personnel*		Technical and Professional Personnel		First Level Supervision		Management above First Level	
	L	M	L	M	L	M	L	M	L	M	L	M
Application Blank	9	8	10	9	9	8	10	9	10	9	10	9
Preliminary Screening Interview	7	7	9	6	4	2	3	2	2	1	1	0
Interview Personnel Department	5	5	8	5	3	4	4	3	3	2	1	1
Interview Potential Supervisor	8	6	8	6	8	8	9	10	9	10	9	10
Interview Others	0	0	0	0	3	1	7	4	5	5	6	5
References (Phone)	3	3	4	5	4	4	6	5	6	5	6	5
(Letter)	1	1	1	1	0	1	1	1	1	1	1	1
Aptitude Tests	1	0	2	0	1	0	0	1	0	0	0	0
Vocational Tests	0	0	0	1	0	0	0	0	0	0	0	0
Skill Tests	0	1	9	5	0	0	0	0	0	0	0	0
Personality Tests	0	0	0	0	0	0	0	0	0	1	0	1
Outside Appraisal	0	0	0	0	0	0	0	0	1	0	3	1
Physical Exam	7	3	6	2	6	4	7	3	7	5	7	5

\* The maximum number of companies in these two columns is "9". The two banks did not have such categories of employees.

With the exception of two companies with clerical aptitude tests and the widespread use of typing skills tests, the use of psychological testing is nearly non-existent. Some companies reported that they had previously used tests but had discontinued their use. Most employers had used them rarely or never for most employee groups.

References (usually previous employers) were checked by slightly less than half of the employers when hiring blue-collar employees and by half or more of the employers hiring in other categories. In a large majority of companies which checked references, it was done by phone rather than by letter. The employers interviewed indicated that the probability of a candid response was higher using phone checks.

The only area in which medium-sized and larger companies differed in their selection practices is in the area of physical examinations--a procedure much more widely used among large employers (69% of the possible occupational categories as opposed to 38% for medium-sized employers).

The use of skills tests to select office personnel also differentiated medium-sized companies (half of them used such tests) from larger companies where 90% reported their frequent use.

#### Summary

The process of selection of employees is not much different in large companies than in smaller companies. The application blank and the interview are strongly emphasized. Testing, other than typing and clerical tests, is largely unused. Outside appraisals are used in only a small number of companies, all but one in the large category, and they focus only on managerial personnel. Physical examinations are part of the selection procedures in many large companies, but in fewer medium-sized companies. Physical exams and reference checks are used primarily as insurance against mistakes in selection, rather than to evaluate an applicant's strengths.

#### MOBILITY

Employers meet many of their needs for human resources by promoting or transferring current employees to new positions. This can have significant influences on the motivation of the employees affected, which will be examined in a later section of this chapter. The influence of mobility on the adequacy of human resources is the issue under examination here.

We asked a number of questions directed at assessing the importance employers attached to "promotion from within" in jobs other than entry positions. A value of 3.0 indicated a strong commitment to promotion from within; a value of 1.0 indicated indifference to the source, so long as the best qualified candidate was identified. Table 7 indicates the mean rating for each of the six occupational groups.

Table 7

ASSESSED IMPORTANCE OF PROMOTION FROM WITHIN<sup>\*</sup>

	<u>Large Companies</u>	<u>Middle-Sized Companies</u>
Blue-Collar	3.0	3.0
Clerical/Office	2.9	2.8
Sales	2.2	2.6
Technical/Professional	2.0	2.3
First Level Supervision	2.7	2.5
Management	2.5	2.0

\* - A methodological point should be made here. The scales reported in this table and in Tables 8, 12A, 12B, 18, 22, 23, 28, 29, 32, 34, 35, 36, 37, 38, 39, 40, 41, 42, 45, 46, and 47 are devices used by the authors simply as an aid in summarizing the information obtained from the interviews conducted. The construction of the various scales resulted from a priori decisions by the investigators. As a result, the scales should be viewed as systematic, but essentially judgmental assessments.

The highest level of importance attached to promotion from within was among the blue-collar employees. This was probably a partial by-product of the strong influence of collective agreements which apply to such groups. The remaining five groups were somewhat less influenced by the promote-from-within ethic. Least influenced were management and technical and professional employees.

Although there were some differences between large and middle-sized employers, they were not large. The main conclusion is the high commitment to internal candidates expressed by these employers.

Consistent with this strong commitment is a strong commitment not to lay off employees in times of economic austerity. Three firms reported major layoffs (20% or more of non-management group) during the years 1973-1975. One of these was associated with a major strike. At least three firms had experienced downturns and had resorted to hiring freezes and turnover to adjust the size of the work force rather than laying off employees. Only one of the large firms had laid off a large number of people, and this was something of an anomaly in that it represented discontinuing an aspect of that organization's activities, not a simple reduction in an ongoing area of business.

The commitment of internal candidates leads to an investigation of how companies selected these candidates. An assessment was made, by way of the interviews, as to the relative importance of merit and seniority. Ratings were made. A value of "1" indicated complete reliance on seniority (length of service); a value of "5" indicated the complete subordination of length of service to assessed merit (performance and/or demonstrated potential). The means for large and small companies are presented in Table 8.

Table 8

MERIT EMPHASIS IN PROMOTION DECISIONS

	<u>Large Companies</u>	<u>Middle-Sized Companies</u>
Blue-Collar	1.4	1.1
Clerical/Office	2.9	2.2
Sales	3.6	2.8
Technical/Professional	4.4	3.7
First Level Supervision	4.5	4.1
Management	4.7	4.3

The noteworthy result presented in this table is the consistent (if modest) difference in emphasis in medium-sized as compared with large employers. Large employers consistently emphasize merit to a greater extent. The higher the job in the organizational hierarchy, the greater the emphasis on merit when promotion decisions are being made.

The combination of strong promotion from within and seniority emphasis and in most rank and file jobs suggests that the organizations tend to reward membership more than performance, and that there is a certain self-perpetuating character to these standards. Even though top managers have been more frequently chosen on a merit basis, many have risen to the middle levels on a seniority basis, thus validating its use in their thinking. The results of this study suggest that patience tends to be rewarded more than performance, and that this pattern is stronger in smaller companies and at lower levels. Higher levels and the larger employers were associated with substantial merit emphasis.

The employers we interviewed were asked whether an employee would prejudice his or her future by turning down a promotion or transfer. Most indicated that such a refusal might influence later decisions informally, but large and medium-sized firms differed as to whether the refusal would be seen as a legitimate ground for negative decisions. Table 9 shows that there is a stronger likelihood that medium-sized companies will use a refusal to accept a promotion or transfer as a negative factor in subsequent decisions about mobility.

Table 9

FREQUENCY: REFUSAL OF PROMOTION OR TRANSFER

PREJUDICING FUTURE MOBILITY

	<u>Large Companies</u>	<u>Middle-Sized Companies</u>
Likely	1	1
Possible	5	8
Unlikely	4	1

## Summary

Both large and medium-sized employers placed a very strong emphasis on promoting people from within the organization. This preference was stronger in the decisions applied to lower organizational levels, but was strong throughout the hierarchical range. Selections among internal candidates were based primarily on length of service in the case of blue-collar and clerical/office employees. Both merit and length of service played major roles in the promotion of sales personnel. Merit was strongly emphasized in technical/professional and managerial promotions. There was a consistently higher emphasis on merit in the larger firms than in the medium-sized firms.

## TRAINING AND DEVELOPING EMPLOYEES

Training and development is an inevitable complement to selection and placement. No employee ever presented himself or herself as completely prepared for a job; there is always a need for at least minimal training and instruction. The training or development may be formal or informal, it may even occur by means of trial and error, but it will occur.

Training and development can be described in many ways. One of the important dimensions taken into account in this study is the dimension of formal-informal. The study only had access to the formalized activities--the numbers and kinds of courses, how many people were trained, what external training and development resources were used, and so forth. The informal training which is done, the coaching by an immediate superior, the experience of having handled a number of different jobs, the experience of having to implement ideas in the face of contrary personalities and many other non-programmatic influences, are important. The premise applied in this report was that the amount of attention given to formal training and development activities was a reasonable indicator for the overall training and development effort. The anecdotal evidence we accumulated is generally supportive of this assumption. However, it is important to acknowledge that our information is necessarily incomplete.

Specific Training Programs: We asked each employer about the number and types of training programs which had been offered during the past year. We requested information specifically about the following categories: induction training, safety training, training in occupational skills, training in technical and professional areas, the training of university graduates and general management development.

The employers were not able to provide us (except in a few cases) with figures for how many offerings of a course had been given. Only in the case of Canada Manpower-supported occupational training and in the training of professional and technical people did they provide figures for the numbers of trainees. In Table 10 we have indicated the number of medium-sized and large companies which reported offering various programs to various employee groups. The generally more active posture of the larger companies is in evidence in all areas of training. Other patterns of note included the following. (1) Most training offered to rank and file members of the organizations we studied were rather narrow and skills-focused while the technical/professional and management groups received a mix of developmental training and skills training. This is not especially surprising, but it reflects the kind of assumptions as to what people need at various levels in order

Table 10

## -NUMBER OF COMPANIES WITH VARIOUS TYPES OF TRAINING\*

(NOTE: L = Number of Large Companies.  
M = Number of Medium Companies)

	Induction		Safety		Occupational Skills -Canada Manpower Supported		Other Occupational Skills		Professional or Technical		University Graduate Development Programs	
	L	M	L	M	L	M	L	M	L	M	L	M
Total Number of Companies With This Training	7	4	5	4	5	3	9	3	7	3	3	0
Groups to Whom Training is Offered												
Blue Collar	3	2	5	4	4	3	5	2	1	0	0	0
Clerical/ Office	5	3	1	1	0	0	7	1	2	0	0	0
Sales	5	2	0	1	0	0	4	1	2	0	1	0
Technical/ Professional	3	1	2	3	1	1	5	0	5	3	0	0
First Level Management	3	1	2	3	1	1	4	1	4	1	1	0
Top Management	2	1	1	0	0	0	2	0	2	1	1	0

to be effective. (2) Only three organizations, none of them in the medium-size group, reported having any special program for bringing university graduates into the management group. They do hire university graduates in many of the organizations and, admittedly, management training programs come and go in general favor.

One alternative to internal training may be the use of external training resources. This may be especially true for smaller companies which may have difficulty bearing the fixed costs of training which must be spread across the total number of people trained. The data provided us does not support the hypothesis that middle-sized firms have a higher ratio of external to internal training, i.e., that they train externally instead of internally. Smaller employers reported sending a total of 340 employees to external training of all kinds; the figure for larger employers was 5,200. When one compares these numbers with the total employment in these two size groups, one finds that the chances of being sent to external training in 1975 were 1.12 in 100 if one were employed by a medium-sized firm and about 2.86 in 100 if one were employed by a large firm. Although the probabilities may seem small in either case, the external training is concentrated among professional and managerial groups. Thus the difference for a "typical" eligible employee is more appropriately thought of as being sent to an external training program once every seven years in the larger company as opposed to once every twenty years in its middle-sized counterpart. The general spending level when it comes to training budgets is another indicator of the level of support given to training. The data (Table 11) are consistent with the direction of the result presented so far in this section. The small number of companies in the medium-sized group which provided data makes the comparison a little tenuous. Several of these companies indicated that the reason the data were missing was because they didn't keep track of it separately (in some cases) or that there was no money specifically earmarked for training...that it was up to the departments and divisions to do their own training. The available data suggest that the ratio of per capita spending on training may be roughly 8 to 5 in large compared to medium-sized employers.

Table 11

AVERAGE PER-EMPLOYEE SPENDING ON TRAINING  
BY MIDDLE-SIZE AND LARGE COMPANIES: 1973-1975

<u>Year</u>	<u>Middle-Sized Companies</u>	<u>Large Companies</u>
1973	\$134 (3)	\$267 (7)
1974	\$163 (3)	\$258 (8)
1975	\$182 (3)	\$279 (8)

Note: Numbers in parentheses indicate the number of companies on which the average is based.

Other Training and Development Indicators: Other parts of the study developed information which reflected upon the training and development posture of the employers in our sample. When the issue of providing counselling services of various types for employees was raised, one of the types was career counselling. Career counselling was not found in any of the ten medium-sized companies, while six of the large companies had at least a rudimentary program. One of the companies used outside resources to help employees with career problems, and two others had what we identified as fully developed programs for counselling employees and helping them in career decisions.

This counselling was over and above the normal performance appraisal procedures found in these companies. We asked questions about the extent of development emphasis in performance appraisal and found that there were marked differences between the medium-sized companies and the large companies in our sample. The index is presented in Table 12A. In seven of ten industries, the larger firm exceeds the emphasis placed on development in the performance appraisal process by the medium-sized organization. In the case of the air transportation industry neither company claimed any development emphasis in their performance appraisal system because they had no formal appraisal system. (A high index value reflects substantial development emphasis for a wide range of employee groups.) The variation attributable to industry is quite low. It is interesting that the four industries with the highest emphasis on development were industries in which very few of the employees were represented by unions.

Although some employers did quite a bit in the area of development through performance appraisal, it was our finding that the general level of development emphasis was what could be called "moderate".

Table 12A

<u>DEVELOPMENT EMPHASIS IN PERFORMANCE APPRAISAL</u>			
<u>Industry</u>	<u>Large Companies</u>	<u>Middle-Sized Companies</u>	<u>Industry Mean</u>
Electrical Manufacturing	50	13	32
Paint Manufacturing	33	7	20
Packaged Food Manufacturing	52	n.a.	n.a.
Meat Packaging	24	33	29
Oil Refining	48	22	35
Mining	47	11	29
Air Transportation	0	0	0
Retail	67	0	34
Insurance	33	44	39
Bank	44	39	42
Mean for Size Category	40	19	29

Note: Values on this index may range from 0 to 100.

## Summary

The data base for the analysis of training and development was not as complete as could have been desired. The needed data was not withheld, it was simply unavailable. The available data indicated that the large companies were considerably more active in virtually all forms and levels of training done internally. The large firms send a greater proportion of their employees to external training and report having higher per capita training expenses. In addition, they report markedly higher emphasis on employee development in their performance appraisal systems. The development emphasis in large employers was moderate, not high. The development and emphasis in the smaller companies (with few exceptions) was minimal.

The utilization of people--for the benefit of the organization and for their own benefit--implies a need for strong development emphasis. Identification of individual strengths and weaknesses, providing feedback of that information to the individuals, and providing the vehicle(s) by which improvement can be made, is the basic formula for improving the skills and accomplishments of the individual.

## HUMAN RESOURCE LOGISTICS AND MANPOWER PLANNING: AN EVALUATION

In all organizations we studied, people were recruited, selected, promoted, trained and developed. The observation was made at the outset of this section that these activities were implicit components of a human resources logistics system. With few exceptions it is accurate to say that the interrelationships have remained implicit. None of the employers we interviewed would argue that there is no relationship between (for example) the people who are selected and the kind of training which is desirable. But relatively little appeared to be done based on an explicit analysis of such interrelationships. The adjustments were made as people "worked out" or failed to "work out" in the jobs in which they were placed. The stance of most of the employers with regard to human resource logistics was reactive. For the most part they coped; sometimes they coped quite well. It is difficult to ascribe cause and effect relationships to specific policies or practices. But the reported average turnover for the large companies in this sample was 19%; for the medium-sized companies it exceeded 26%. This suggests a substantial problem in the human resources logistics system.

In general, the problem appears to be one of failing to deal with the systemic nature of the situation. There are many aspects to the situation; they are frequently identified and "solved" locally.

We asked about the involvement of each of the companies in manpower planning. Planning for future human resource requirements and how to meet them is a relatively recent activity. A few of the large companies in our study have begun some efforts in this area in the past few years. Index values which are close to maximum (100.0) reflect manpower planning activities which (a) had a long time horizon, (b) used quantitative analysis in making projections, (c) were concerned both with demand and supply issues, and (d) utilized specialists in developing the forecasts or projections.

As is apparent in Table 12B, the medium-sized firms in this sample had low to negligible scores on this scale, with the prominent exception of the medium-sized bank. Clearly, this is one area where size has a definite impact on level

or activity. It also is an issue where major differences are quite understandable. Of those organizations which made projections, we asked whether they checked the accuracy of the projections with subsequent "actual" experience. Only four indicated that they did, three of these being in the large size category.

The magnitude of the index values for the large companies in the sample may mislead the reader slightly by suggesting that manpower is a well-established sub-function in many large firms. This is not the case. The values reflected such activities as constructing replacement tables for key management personnel, identifying a "Top 100" in the company to assess its bench strength, and so forth. While these are important activities and quite useful, they are not what is thought of as a fully developed manpower planning function. Few employers did much work projecting demand or supply of people in lower strata of the organization. Many plans were simply the by-product of the budgeting process, and did not have much impact outside providing the basis for a cost figure. Some companies were in the early stages of something a bit more sophisticated, but manpower planning was not firmly established and still faced the requirement of being "sold" to the management concerned.

Table 12B

SOPHISTICATION OF MANPOWER PLANNING ACTIVITIES

<u>Industry</u>	<u>Large Companies</u>	<u>Middle-Sized Companies</u>
Electrical Manufacturing	74	26
Paint Manufacturing	74	0
Food Manufacturing	48	13
Meat Packing	44	20
Oil Refining	56	0
Mining	35	4
Air Transportation	70	0
Retail	48	0
Insurance	74	13
Banking	79	74
Mean for Size Category	60	25

Note: Index values range from 0 to 100.

The index of sophistication reflects the elaborateness of human resource planning. Other facts supplement the somewhat critical thrust of this evaluation. Employment specialists interviewed occasionally had strong opinions about which sources of applicants provided the best employees; such judgments were invariably based on anecdotal rather than systematic analysis. Selection interviews were conducted by specialists and non-specialists. Despite the fact that the potential problems of interviewing had been clearly identified,<sup>18</sup> there were only rare indications of initiatives to improve interviewer skills or interview procedure beyond the instinctive or self-taught. Use of other information to supplement the interview was limited primarily to reference checks and application blank data.

Training and development are difficult to evaluate because the data were not very precise or complete. The difficulties the companies had in identifying the number of people trained derived from (1) the decentralization of training and (2) the status of training. In some companies, the training function was decentralized to divisions or departments. They would bring in trainers or create their own courses (computer skills for example) as the need arose. Such decentralization was appropriate in particular to those skill groups which could be clearly associated with one or another part of the organization. On the other hand, training was frequently treated as a way of solving problems--it was a response rather than a component of a human resources strategy. As a result, training frequently was not programmatic and the associated records were not available. The spottiness of the data on training not only reflects the posture of many organizations, large and (especially) medium-sized; it also precludes systematic appraisal of whether training is effective.

A final observation about human resource logistics applies to the utilization of highly educated applicants. Only three had specific programs for university graduates. More were recruited from these sources but many in a technical or professional area where relatively little training would be required. The rapid growth in the number of graduates available when combined with employer disinterest (and occasional aversion) suggests that either university education is not an especially useful input to the private sector and/or that many employers have not discovered how to effectively utilize such people. The nature of this investigation allows no conclusions in this matter. But it was clear from recruiting patterns, the lack of pay rates for MBA's, the profile of the management group, and from the profile of the work force, that medium-sized companies were distinguishable from large ones in the area of education attainment of the work force. In the long run, this may be a serious impediment to their progress and growth.

### Summary

Human resource logistics practices identified in large and medium-sized employers lead to the conclusion that large employers are somewhat diverse in their recruiting of new employees, are more involved in manpower planning and offer a greater range and intensity of training and development programs. The two size categories are similar in their selection procedures although there is somewhat more testing and use of external assessments by the large companies.

Both large and medium-sized employers are much more reactive than proactive in meeting human resource needs. Decisions are more frequently based on experimental rather than analytical (studies, planned evaluations) grounds. It seems likely that these employers, successful though they may be in economic terms, succeed in spite of rather than because of this posture.<sup>19</sup>



## CHAPTER 5

### RESULTS OF THE STUDY: HUMAN RESOURCE MOTIVATION

#### EXTRINSIC REWARDS

People become employees, remain as employees, and produce services which the organization values, in exchange for numerous extrinsic and intrinsic rewards. Extrinsic motivators are rewards offered by others in return for performing some action. People perform the desired action not because doing the action is in itself rewarding but because of the "extrinsic" reward it will bring: a pay cheque, promotion, financial security, time off work, and so forth. Most extrinsic rewards are aimed at motivating people to join or remain in the organization and feel content with their work and the employer. A few, such as wage incentive schemes, are aimed directly at motivating a higher quantity or quality of work output. The most obvious direct extrinsic motivator is financial reward.

#### A. FINANCIAL COMPENSATION

Probably nothing is more important than pay levels when it comes to attracting people to join an organization. The influence of pay is only slightly diminished when one shifts to the employee's decision to remain with an employer. Research into the role of pay in employee motivation has shown, however, that its effects are not solely based on the absolute amount paid. Rather the positive or negative attitudes which arise out of pay policies occur as much or more as a result of comparisons with what others are paid. Thus, one may be satisfied or dissatisfied with one's pay when it is compared to:

1. what people get for similar work elsewhere (labor market comparisons),
2. what people get for other jobs in the organization (intra-organizational comparisons),
3. what other people in the same job are earning (intra-job comparisons), or
4. what one earned oneself in previous jobs or previous periods in the same job (intra-personal comparisons).

Most managers and personnel specialists are either explicitly or implicitly aware that their employees make these comparisons and that they have a considerable impact on motivation. As a result, employers frequently create specific policies and practices to ensure that the comparisons will be favorable to the company.

#### 1. Policies to Influence Labor Market Comparisons.

To influence the employee's comparisons of his pay with rates in the labor market, employers may make a policy decision to maintain pay at some designated point in the range of rates paid for the job in the labor market as a whole, e.g., to pay at the top of the range, the middle or the lower end. They may also conduct or participate in labor market surveys to ascertain exactly how comparable their rates are with those paid elsewhere. The assumption is that employees will not be dissatisfied with their pay if they feel it is "in line" with what they can earn elsewhere.

## 2. Policies to Influence Intra-organizational Comparisons.

To ensure a sense of fairness and equity with salaries within the organization, employers establish differentials between jobs and may attempt formally or informally to persuade their employees that these are fair. Sometimes the internal differentials simply evolve over time as a result of the movement of the various external labor markets or collective bargaining settlements but in many modern organizations this is felt to be too arbitrary and unstable a system. As a result they carry out a formal job evaluation in which jobs are compared on a set of standard criteria in as objective a fashion as possible. The jobs are scored or ranked on these criteria and those receiving similar scores are grouped into grades or classes. Higher scored classifications receive higher pay. Typical of the criteria used in job evaluation are: the difficulty of the duties required, the degree of accountability for people or assets and the amount of education and experience required for the work. The employer's assumption or desire is that employees will accept these criteria as the correct ones for comparing between jobs and will accept the judgment of the job evaluators as to the relative worth of the various job groupings.

## 3. and 4. Policies to Influence Intra-Job and Intra-Personal Comparisons.

Many organizations attempt to discourage employees from comparing their pay rates with those of other individuals in the same or similar line of work. Hence, if possible, individual salaries are kept confidential. This is because they realize that it is difficult to obtain universal agreement on the worthiness of one individual over another. At the same time they often try to develop a fair and equitable method of deciding individual salaries on the basis of the employee's performance and to convince employees that this is in fact the basis for salary differences in certain jobs. A range of rates is set up, from pay for a probationary neophyte, to the salary for the top performers.

In other groups of jobs the opportunity for individual variations in job performances is considered to be very low. When this is thought to be the case the employer may try to avoid all inter-individual differences and adopt a policy of "the job pays the rate". Where some inter-individual variation is desired, the employer tried to avoid invidious comparisons being made on uncontrollable idiosyncratic criteria. This usually leads to a policy of pay rates being based on seniority or experience on the job or in the company.

Such then are the major kinds of policy options open to employers in the realm of direct compensation (indirect forms of compensation are considered elsewhere). Let us now examine how the firms in our sample handled these matters.

### 1. Labor Market Wage Policies

#### a) Stated wage objectives of the companies in our study

There were only two cases in our sample in which it appeared that the companies had no explicit policy regarding where in the labor market it wanted its wage rates to fall. Both of these cases were in the medium-sized group. The setting of salary levels in such organizations was very much an ad hoc process with lower level jobs being determined by collective bargaining following patterns set elsewhere, and higher levels being based on occasional and informal comparisons with a few other employers in the industry.

Among the remaining 18 firms which did have explicit wage objectives it appeared that those of the large companies were in general set higher than those of the medium-sized companies. See Table 13.

In the ten large companies, over the six major job categories we asked about (blue-collar, clerical, sales, technical, lower management, upper management), there were 31 instances (51%) among the potential of 60 groups (10 companies x 6 job categories) in which the policy was to pay between the 60th to 80th percentile of the labor market and 10% (all in one company) in which the policy was to pay at the top of the labor market range (80-100th percentile). The remainder sought to pay "in the middle" (50-60th percentile).

In the medium-sized companies the modal objective was "the middle". Thirty-one instances (51%) were governed by such a policy while only 25% aimed for the 60-80th percentile and none were higher.

Looking at where the differences between large and middle-sized firms occur, it turns out that the policy to pay in the middle rather than higher up the labor market range applies most to the rank and file employees--the blue-collar and clerical workers. At the level of lower and upper management, large and medium-sized companies with policies differ in only one case (the larger one paying higher) whereas at the rank and file level they differ in five cases (out of ten) and in every case the large companies state they aim to pay more. As one of our respondents from a medium-sized company put it: "Look, there's no way we can afford to pay at the top of the range like the big guys do. We tell our people when they come here that we will always pay at least the going rate for the job and that they'll still like working for us better than the big companies because there's more variety and informality in the work here."

Table 13

STATED OBJECTIVES FOR WAGES AND SALARIES VIS-A-VIS

THE LABOR MARKET FOR SIX MAJOR EMPLOYEE GROUPS

<u>Percentile of Labor Market Wage Range Aimed For:</u>	<u>Middle-Sized Firms (N =60)</u>	<u>Large-Sized Firms (N =60)</u>
50-60th	51%	35%
60-80th	25%	51%
80-100th	0%	10%
No stated policy	13%	0%
Not available or not applicable	10%	03%

b) Actual practice

To have a policy stating where one would ideally like to be paying one's employees is one thing, but whether a company lives up to it in fact is another matter. It was our impression that virtually all the companies that had a policy at least tried to adhere to it. For one thing it was remarkable to note how pervasive the use of wage and salary surveys was. Virtually every

company participated in at least one survey and usually anywhere from three to ten more. These were surveys conducted by industry and trade associations, professional consulting services and government bodies. In addition most of the biggest companies, and a few of the medium ones, organized and conducted their own surveys among their prime labor market competitors. This was one area where information flowed freely and copiously at least with regard to pay rates below the middle management level.

We were not able to make a comprehensive and sophisticated comparison of the actual wage rates for comparable jobs across all 20 of our companies. This was primarily because so few jobs were in fact comparable in such a wide diversity of companies, and also because to describe a large number of jobs in sufficient detail to allow our respondents to make accurate matches from their job pool would have taken more time and space than we felt we could ask for. What we did, therefore, was to identify eight kinds of employees whose work we thought would be more or less comparable across a wide variety of companies and asked our respondents for the average salaries paid such people. The employees we listed were: 1. A newly graduated Bachelor of Engineering; 2. A newly graduated Master of Business Administration; 3. A junior typist (recent graduate of a four-year high school program; 4. A secretary to a middle-level executive (e.g., Sales Manager); 5. An entry level employee for a production job or equivalent requiring no previous experience or special training other than graduation from high school; 6. Key punch operator (starting salary); 7. Qualified stationary engineer with 5 years seniority; 8. A first line supervisor in production or equivalent with 3 years experience in the job.

As a specialist in wage and salary administration would quickly realize, several of the jobs of these "typical employees" would differ from one employer to another in responsibility and authority. As a result their salaries should not be compared. For example, a first line supervisor in a bank and in an oil refinery do very different kinds of work. Such differences between jobs could even exist between two companies in the same industry although perhaps they would not be large. Realizing all the room for error in comparability however, one could still ask if there was any general pattern or tendency in the pay rates in the large as compared to the medium-sized companies on the assumption that the variability between jobs is randomly distributed between the two groups. Indeed there did seem to be such a pattern, as Table 14 shows.

The average pay rate across all eight jobs is \$11,827 for the ten large companies and \$10,108 for the ten medium ones. The difference, about \$1,700, is 17% which is perhaps what we might expect from firms aiming to pay "in the middle" of the labor market range as compared with those whose stated aim is to pay about the 70th percentile. It would seem, therefore, that most firms actually pay what they set out to pay.

Looking at the individual employee types, the differences between large and medium are least for Bachelors of Engineering, first line supervisors with three years experience, key punch operators and junior typists. Perhaps there is enough similarity between these jobs to make comparisons easier whereas the remainder of the jobs vary more thus allowing wider differences in rates to occur.<sup>20</sup>

Table 14

MEAN PAY RATES FOR EIGHT TYPICAL POSITIONS BY COMPANY SIZE

(1976)

		EMPLOYEE TYPE							
	B. Eng.	MBA	Jr. Typist	Sr. Secty	New Prod Worker	Key Punch Op.	Stat. Eng.	First Line Super.	All Jobs
Large Companies	\$12792 N = 6	\$13886 N = 7	\$7837 N = 10	\$10874 N = 10	\$10332 N = 9	\$8084 N = 9	\$14972 N = 10	\$16819 N = 9	\$11827 (\$11673 * excluding MBA salary)
Medium Companies	\$12921 N = \$	No special rates	\$7193 N = 10	\$8957 N = 10	\$8937 N = 8	\$7680 N = 10	\$12297 N = 7	\$16075 N = 8	\$10108

\* See description of jobs in body of report.

## 2. Intra-Organizational Pay Differential Policies

As noted above, the prime way in which employers seek to influence the basis on which employees compare their own salaries to those of people in other kinds of jobs is by means of systematic job evaluation schemes which aim to base differentials on "objective" criteria of the job, not characteristics of the incumbent. Table 15A indicates that large companies use formal job evaluation systems 9% more often than do medium-sized. Large companies, however, tend to be more selective, using it in some groups but not others within the job categories we asked about. It is also clear that job evaluation is most commonly used by all companies for Sales, Technical/Professional and Management Jobs (80-90% of the time), used for about 40-50% of the clerical jobs, and fewer than 10% of the blue-collar jobs.

## 3. Policies Related To Inter-Person Wage Comparisons Within Similar Jobs

For many employees perhaps the most upsetting aspect of their pay is the thought that other people they see every day doing the same or similar work are earning more than themselves and don't deserve to. Companies frequently attempt to minimize such damaging comparisons by developing policies that relate inter-individual pay differences to seniority, to different levels of formal qualification and/or to systematically evaluated differences in job performance quality or quantity. Table 15B shows the distribution of these policies in our sample of companies.

It can be seen that large and medium-sized companies do not differ a great deal in their policies. Overwhelmingly (70% of the time) jobs in sales, higher level technical and professional positions and management have individual pay rates based on performance, while blue-collar and clerical jobs are based on seniority or assiduously avoid any inter-individual salary differences altogether by establishing only one rate for the job. A few technical-professional jobs base their rates on the number and kind of formal qualifications held. Another view of company policies regarding inter-person salary differentials looks at how much the range can be between the lowest paid person in any given job and the highest. This can be seen in Table 16, (page 45).

From this table it can be seen that overall, in the six major job groupings there is again very little difference between large and medium companies in the mean pay range within jobs. Both average around the 30% mark. When one looks at the particular job groups, however, the results indicate that large companies offer greater salary ranges in sales and technical/professional jobs whereas medium-sized companies offer greater ranges in their blue-collar jobs and those of lower and upper management.

In both kinds of companies, where any range exists at all it is lowest for blue-collar employees, close to the mean for clerical, sales and technical/professional employees and highest for management positions. This probably reflects management's unstated belief that it is either infeasible or unnecessary to differentiate between the pay rates of individual employees in the more routine and standardized jobs and increasingly necessary to create ranges as jobs increase in responsibility and authority.

It is also interesting to note that seven of the medium companies did not

Table 15A

## PERCENTAGE OF COMPANIES USING FORMAL JOB EVALUATION METHODS

Company Size	Job Groups						
	Blue Collar	Cler.	Sales	Tech/Prof	Lower Mgmt	Upper Mgmt	All Job Groups
	%	%	%	%	%	%	%
Medium Sized Companies (N = 10) % using job eval. in all jobs in the category	0	50	70	80	80	70	60
% using job eval. in "some" but not all jobs	0	0	10	0	0	0	02
Total companies using job eval. in some or all jobs	0	50	80	80	80	70	62
Large Sized Companies (N = 10) % using job eval. in all jobs in the category	10	30	60	80	80	80	59
% using job eval. in some but not all jobs	0	10	30	10	10	10	12
Total: companies using job eval. in some or all jobs	10	40	90	90	90	90	71

Table 15B

COMPANY POLICIES FOR ESTABLISHING  
INDIVIDUAL DIFFERENCES IN PAY RATES

Company Size	JOB GROUPS						
	Blue Collar	Cler.	Sales	Tech/ Prof	Lower Mgmt	Upper Mgmt	All Job Groups
	%	%	%	%	%	%	%
Medium Sized Companies (N = 10)							
% of companies basing policy on Seniority or Experience	50	60	20	10	10	0	25
% basing policy on formal Qualifications	0	0	0	30	0	0	05
% basing policy on job Performance	0	30	60	50	80	100	53
% with policy of no within job variation ("Job pays the rate")	40	10	10	10	10	0	13
% with no jobs in category	10	0	10	0	0	0	03
Large Sized Companies (N = 10)							
% companies basing policy on Seniority	50	80	10	0	0	0	23
% companies basing policy on formal qualifications	0	0	0	10	0	0	02
% companies basing policy on job performance	0	20	70	70	80	100	57
% with policy of no within job variation	40	0	10	20	20	0	15
% with no jobs in category	10	0	10	0	0	0	03

claim to have any fixed policy on ranges in one or more of the job categories--particularly the higher level jobs where six of the ten did not specify a range. Only four of the large companies admitted to having no policy on ranges and only one of these avoided policy at the top level. This tendency in medium companies to have either higher ranges or no fixed policy on range in the upper jobs as

Table 16

POLICY ON SIZE OF WITHIN JOB PAY RANGES

	Medium-Sized (N =10)		Large-Sized (N =10)	
	Mean Range %	No. of companies with no fixed policy for 1 or more job groups	Mean Range %	No. of companies with no fixed policy for 1 or more job groups
All job groups	34%	7	33%	4
Blue-collar jobs	19	2	2	1
Clerical jobs	30	1	33	1
Sales jobs	28	3	38	2
Tech/prof.	34	2	41	0
Lower mgmt.	43	4	39	1
Upper mgmt.	48	6	44	1

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Note: Mean Range expressed as % difference from lowest to highest rate.

compared with their large counterparts may well reflect the fact that large companies are more likely to have more opportunities for promotion and transfer and thus have less need to have high ceilings on jobs, since their incumbents will be likely to leave the job before or shortly after they reach the top of the range. Where these opportunities for mobility are less it makes sense to have a wider range in order that employees can earn salary increases over a longer period of time.

Summary

When it comes to policies surrounding pay rates, both large and medium-sized companies make much the same assumptions and take similar approaches except in one critical respect. Large companies tend to pay higher (about 15-20%) in the labor market pay range than medium-sized ones, and in fact appear to actually do so at least to the 8 "typical" kinds of employees we asked about. In both large and medium-sized firms however, the blue-collar or "production" worker gets paid on the basis of the job rate or his seniority with a rather small in-job pay range (2-20%), and the jobs are not subject to job evaluation as the basis for establishing inter-job differentials. Those in the white-collar and management occupations on the other hand are more likely to find their job differentials established as a result of job evaluation, have their own salaries influenced by the way they perform, and have a considerably larger salary range to move up in if they remain in the job.

## B. INDIRECT COMPENSATION:

### BENEFITS AND SERVICES

Extrinsic rewards include direct financial compensation, discussed in the preceding section, and a diverse cluster of benefits and services; this section deals with those benefits and services. The first group directly influences the financial security of the employee. The second group are wide-ranging and are primarily amenities or considerations which may make an employee's life more pleasant or fulfilling.

### BENEFITS DIRECTLY

#### INFLUENCING FINANCIAL SECURITY

Employees are more than casually attached to employers, and this attachment grows with the employee's age as employment opportunities dwindle and the number of years of remaining employment drop. Financial concerns revolve around an individual's employment; the past century has seen a tremendous increase in the involvement of employers in the financial security of their employees. These changes have grown out of legal changes, employer conscience, collective bargaining, and government initiatives. The impact of employer policies on the financial security of employees could be the subject of a very detailed examination, given financial and actuarial expertise and resources to support the expertise. Our review was not designed to approach the topic in such depth. It was also limited by the least complete information (of that requested) of any portion of this study; this was a result both of reluctance to provide data and their unavailability. Data which dealt with the costs of programs were the most frequently unavailable. It should be emphasized, therefore, that the results in this portion of the study are tentative.

The main programs which influence financial security include pension plans, protection against income interruption, life insurance, and health care insurance.

#### 1. Pension plans

The companies in this study were asked for some basic information on the pension plans which they provided for employees. Administratively the plans of large and medium-sized employers in our sample were similar. All were characterized by mandatory participation by employees (based on data from 17 of 20 companies). Only one company reported having different pension plans for different groups of employees although other plans (not pensions) may have had the effect of allowing various executives in some organizations to defer income or otherwise supplement post-retirement income. The fact that all employees, after a certain minimum period of employment, are included in pension plans also may be misleading. Pensions are based, through various formulae, on earnings histories--where both level of income and number of years in a plan have effect. If either pay level or length of service is low, the amount of the pension can be significantly limited. In retail stores in this study, employees who are part-time or temporary employees are excluded from the pension plans. This means that 40% to 60% of the people employed by these particular organizations are not covered by pension provisions.

The companies participating in this study were asked to indicate the approximate percentage of final income an employee would receive as a pension

if he or she had been covered by a pension plan for 30 years. While the means for the medium-sized and large companies did not differ greatly (43.8% for the former and 46.1% for the latter), the range in each group was quite wide: 30% to 50% for the medium-sized companies and 33% to 60% for the large companies. Thus the level of pension benefits is anything but uniform, although size is not apparently the dominant influence.

Table 17

CHARACTERISTICS OF PENSION PLANS

	<u>Medium-Sized Companies</u>	<u>Large Companies</u>
Enrollment in plan mandatory	100% ( 9)	100% ( 8)
Mandatory retirement age 65	90% (10)	89% ( 9)
older	10% (10)	11% ( 9)
Provision for early retirement	100% (10)	89% ( 9)
More generous vesting than required by law	44% ( 9)	10% (10)
Cost of living adjustment	50% (10)	78% ( 9)
Percentage of pay after 30 years	44% ( 5)	40% ( 8)
Percentage of pension cost paid by employer	80.8% ( 6)	79.8% ( 8)
Annual pension cost per employee	\$819 ( 5)	\$632 ( 4)

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Note: Number in parentheses indicates the number of companies on which the result is based.

The conventional mandatory retirement age of 65 was reported by 17 of 19 companies responding to that question. Two of them indicated greater values: one company specifying 68, another 70. All but one of the 20 companies indicated that early retirement was possible, with adjustments made to the pension benefits to which the employee was entitled.

The costs of pension programs were assumed completely by four of the six medium-sized companies responding to our question; in the case of the large companies, the results indicated four to eight companies assumed the entire cost. The average percentage of pension costs paid by the companies was 80.8 in the case of the eight large companies. Only nine companies reported pension costs--for five medium-sized companies the average cost was \$819 per employee per year, although the range indicated a low of \$314 and a high of \$1,364. The four large employers who reported a per employee cost figure had an average cost of \$652 and a range from \$385 to \$890. The per employee cost figures are probably less informative than the typical benefit figures combined with the percentage of the plan the employer pays for.

The law specifies certain minimum vesting provisions in the pension plans provided by employers. (Vesting entitles the employee to contributions made to the plan by the employer in the event that employment is terminated before retirement.)

Five of nineteen companies in the sample reported that their pension plans allowed partial or full vesting before the age and years of employment minimums specified by the law. Of these five, four of the companies belonged to the medium-sized group.

Because of inflation, pension benefits based on rates of income in effect five or ten years ago have dwindled to inadequacy for many people. Five of ten medium-size companies and seven of nine large companies indicated that they adjusted the level of pension benefits to offset the erosion in the value of the dollar. Only one company did this as the result of an automatic (i.e., formula based) adjustment. All the others who did adjust did it on an ad hoc basis. Significantly, almost half of the sample did not make adjustments of either type.

### Summary

The apparent differences in pension plans were not related to the size of the employers among the companies studied in this investigation. With the exception of the retail companies studied, pension coverage was essentially universal. The other characteristics of the pension plans support the conclusion that the middle-sized employers' plans did not suffer in comparison to plans of the large employers.

#### 2. Protection against interruption of income

Financial security is a concept which is applicable to a person's working life as well as his or her retirement. Employers have become involved in a number of programs to provide security to employees during the years in which they would expect to be working. The practices of the companies in our study are summarized below.

What is defined to be short-term and long-term disability varied from one employer to the next. The main distinction between them is that long-term disability benefits (or the protection of income under income maintenance programs) is more completely formalized and the benefits are more uniform over the period for which the employee is protected. The short-term disability plans are administered with greater discretionary elements and tend to vary with a number of factors, including organization level and length of service. We studied the amount of money an employee would receive under the short-term disability plans the employers in our sample used. The results are reported in Table 18. The values in the tables are indexes which reflect the amount a person would receive if temporarily unable to work for reasons of health. The index value '1' indicates that the person would receive full pay for the entire duration of the absence. The index value '8' (the other extreme) indicates that the employee would receive less than 50% of his or her pay for something less than the time it would take before long-term programs would become effective.

Short-term disability plans are highly variable and almost always formulated to complement the long-term disability and income maintenance programs. One clear pattern does emerge from the benefits made available to different groups within companies. There is a much greater tendency for large companies than for medium-sized companies to treat top management and salaried employees more generously than their rank and file blue-collar employees. The hourly employees of both large and medium-sized companies are generally required to bear a substantial portion of the costs of short-term absences. This stance applies to

Table 18

INCOME MAINTENANCE PROGRAMS

A. DISABILITY PAY FOR SHORT-TERM DISABILITIES

(Figures tabled are mean index values. A value of "1" indicates full pay for entire period of disability; a value of "8" indicates payment of less than 50%, which is available for less than the entire period of disability.)

<u>Employee Group</u>	<u>Medium Sized Employers</u>	<u>Large Employers</u>
Hourly Employees	*4.22 **3.22	*4.85 **3.50
Salaried Employees	*4.60 **2.20	*3.60 **1.70
Management Employees	*4.25 **2.20	*2.60 **1.30

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\* - Benefit available to a short-term employee.

\*\* - Benefit available to a long-term employee.

B. INCOME-MAINTENANCE PLANS

Eligibility		
All Employees	81%	78%
Some Employees	6%	0%
No Program	13%	22%
Participation		
Required	78%	86%
Voluntary	22%	14%
Percentage Paid by Employer (average, across comparisons)	90%	76%
Cost (to company) per Employee	\$136 (based on 4 companies)	\$52 (based on 3 companies)

a lesser extent for salaried and management employees, especially for the larger employers. In all groups, long service employees are treated more favorably than those who have recently joined the organization.

Income-maintenance plans were well established with both large and medium-sized employers. The eligibility requirements indicated that such programs were available for all full-time employees in all but four of the fifteen companies which provided data on that issue. Ten of fourteen providing data made the program mandatory. Of twelve companies reporting, there was an average support level of approximately 80% of the costs. Indications were that the medium-sized companies may have been slightly more generous on a per employee basis, although missing data makes such a conclusion tenuous.

### Summary

Protection against the interruption of income is a well established benefit among both medium-sized and large employers. The only differences which could be clearly attributed to company size was that the large companies were more generous with salaried and management people than they were with blue-collar employees or than medium-sized companies were with any employee group when it came to paying them during short-term illnesses and disabilities.

#### 3. Group Life Insurance

Financial security frequently goes beyond the individual employee to others (usually the immediate family) who are dependent upon the employee's income. The death of such a person while employed is a source of financial risk which is reduced by life insurance. (Pension plans may have death benefits for dependents either before or after the employee's retirement date. The wide range of possible differences in such plans puts them beyond the scope of this report.) All but one of the companies which responded to our question about group life insurance had a plan for all employees; the one large company which did not include all employees did have a plan which included some. There is a slight indication that the medium-sized companies support this benefit more strongly than the large companies, but this is tentative because we have information of percentage of costs and expenditures per employee for only half of the employers who reported having programs (see Table 19).

#### 4. Health Care Insurance

Health care costs are quite high in Canada. The burden that these costs place on individuals has been reduced (or at least evened out) through the introduction of government-sponsored health insurance, but there are still some kinds of medical expense which are not covered. As a result, private insurance is used to supplement government-sponsored programs. Frequently that insurance is provided to employees and their dependents as a benefit based on the person's employment.

It is more likely to be a voluntary benefit (i.e., the employee may elect not to participate in the program) than the life insurance or disability programs. It is generally supported more strongly (although the margin is small) by the medium-size companies in our sample (see Table 20).

Table 19

GROUP LIFE INSURANCE

	<u>Medium</u>	<u>Large</u>
Employees Eligible:		
All	100% (9)	89% (9)
Some	0% (9)	11% (9)
Participation:		
Voluntary	28% (9)	22% (9)
Required	72% (9)	78% (9)
Percentage paid		
by company	100% (5)	78% (4)
Cost per employee	\$93.25 (4)	\$59.00 (6)

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Note: Number in parentheses is number of companies on which figure is based.

Table 20

MAJOR MEDICAL OR SUPPLEMENTARY MEDICAL BENEFIT PROGRAMS

	<u>Medium</u>	<u>Large</u>
Eligible:		
All	100% (9)	89% (9)
Some	0% (9)	11% (9)
Participation:		
Required	50% (9)	44% (9)
Voluntary	50% (9)	56% (9)
Percentage paid		
by company	81.2% (8)	71.2 (8)
Cost per employee	\$155.00 (5)	\$59.00 (6)

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Note: Number in parentheses indicated the number of companies on which figures are based.

### 5. Dental Insurance

All the programs we have covered so far in this section have been found in a very high percentage of companies. One area which has not been adopted by the majority, but which appears to be likely to be included by more and more employers, is dental insurance. Dental insurance was supported partially or in full by seven companies (four medium-size employers, three smaller employers) in our study. See Table 21. Cost and employer contribution figures were not meaningful, but the existence of this program and the fact that it seems to be making inroads into both size groups at approximately the same rate were facts worthy of being noted.

Table 21

DENTAL PLAN CHARACTERISTICS

	<u>Medium</u>	<u>Large</u>
Eligibility:		
All	30% (10)	33% (9)
Some	10% (10)	0% (9)
None	60% (10)	67% (9)
Required	67% (3)	67% (3)
Voluntary	33% (3)	33% (3)

---

Note: Number in parentheses indicates the number of companies on which the figures are based.

Summary

Health care costs are supplemented by insurance plans supported by virtually all of the employers in our study. There is an indication that the degree of support is slightly greater among the medium-sized than among the large employers. Only a third of the employers (roughly evenly split between medium-sized and large employers) are involved in providing dental plans for employees.

Financial Security Programs: A Summary

The most pervasive characteristic of our findings with regard to financial security programs is that in their general form the programs provided by medium-sized employers did not differ significantly from those utilized by the large employers.

In many cases, there was very dramatic within-size-category variation as to whether there was a program, who was eligible, the extent of employer contribution to the program and so forth. There was no immediately apparent pattern to the results and the risk in looking too hard at a small sample is to elevate an anomaly beyond its proper place.

If there were any patterns of interest, they were slight and it lay in (1) the better treatment of salaried and management people when it came to short-term disability pay from the large employers in the sample and (2) the consistent pattern of similarity between large and medium-sized employers in virtually all other areas.

BENEFITS AND SERVICES OTHER  
THAN THOSE CONCERNING FINANCIAL SECURITY

Pay and promotion are probably the most obvious areas in which management may have an impact on the motivation of employees: many other programs reviewed elsewhere in this report may have an impact on employee motivation. Examples would include training and development, disciplinary procedures and communication. The motivational impact these are likely to have is less clear than in the case of pay and promotion. There is still another group of employer

practices which may have influence on the extrinsic sources of motivation people experience in their work. (Extrinsic motivation is the result of what is provided to employees as contrasted to intrinsic motivation which derives from the work itself--such as interest, sense of responsibility, accomplishment, and so forth).

Over the years, employers have provided an increasing number of benefits and services to their employees. Some of these have been to meet the competition (or beat it). Some have been derived from employers' sense of their responsibilities, or as a result of union pressure. Usually these benefits and services are thought of simply as being conditions of employment--they are not the kind of thing that varies with performance reviews. (One can usually park in the company parking lot regardless of whether one has a good review for the past year.) The motivational effect of these benefits is generally thought of as having an impact on the decision to join or stay with an organization. They are not thought to have much effect on how hard one works, since they are not directly influenced by performance; however, it is possible that they may provide part of the motivation to produce. This is true to the degree that higher level jobs usually entitle the holder to more of these services and benefits, and promotion is seen as depending on performance. If this is the case, then these benefits and services can be important in motivating performance for those who are potential candidates for promotion.

The study examined in some additional detail the services and benefits policies covered in the interview schedule, and also investigated the degree to which these benefits were awarded to people at higher organizational levels while not being available to people at lower organizational levels.

#### 1. Overall level of miscellaneous benefits and services

To obtain an overview of the patterns of benefits and services being offered to employees by the companies in the sample, an index was constructed reflecting the extent of such benefits--including many things such as parking recreation facilities, educational subsidies, and so forth.

The index was constructed to have a maximum value of 100. Such a value would indicate that every service or benefit we asked about was present. However, it is possible that a service or benefit may be available only to certain members of the organization (such as executives). Regardless of how few or many were eligible, if a benefit or service was available to some employees, it was counted as being present. Thus the index may overstate the extent to which benefits and services were available. (In a later section of this report we will discuss which benefits were restricted to some employee groups.) See Table 22.

In eight of the ten industry categories represented, the larger firm has a larger index value than the smaller firm. The mean difference between groups is small (56 for the medium-sized companies versus 62 for the larger ones). Thus the indications from this sample are that there are modest but fairly consistent differences in the overall patterns of benefits and services provided by medium and large-sized employers.

Table 22

EXTENT OF SERVICES AND BENEFITS PROVIDED: OVERALL INDEX

	<u>Medium-Sized Companies</u>	<u>Large Companies</u>
Range	42 to 74	44 to 77
Mean for size group	56	62

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Note: Possible values range from 0 to 100.

2. Detailed analysis of miscellaneous benefits and services

We subsequently divided the miscellaneous benefits and services into five small clusters and analyzed employer policies in each of these clusters. The clusters included:

1. Parking, eating and employee lounge facilities. The rationale behind this cluster is that all these services are those which assist many employees on a daily basis.
2. Support for employee recreation. This cluster included the subsidy, sponsorship and/or other encouragement of various forms of employee recreation.
3. Support of employee membership in external organizations. Employees are sometimes sponsored or reimbursed for the costs of membership in various professional or social organizations.
4. Support of the education of employees or their dependents. This support can take many forms including tuition reimbursement, subsidizing the cost of books, providing scholarships or other assistance to the employee or his or her dependents (usually children).
5. Financial support for housing, relocation or personal emergencies.

The results indicate that in all five of the areas, the "typical" large employer provided more or at least as much in each of these areas as the "typical" medium-sized employer. In some cases the differences were very small (cluster 5, for example). In other cases, such as cluster 3, the differences were quite large. While the means for the industries seem to vary considerably, only ten of the fifty comparisons between large and medium-sized employers in the same industry indicate the smaller employer providing greater services or benefits in these areas. No industry accounts for more than two of these reversals. Thus it is apparent that larger employers, as reflected in this sample, provide somewhat better benefits and services than do medium-sized companies. The index values presented in the tables may be interpreted essentially as percentages -- the percentage being a portion of the maximum number and degree of the benefits and services we asked about. We did not go into extreme detail in some of these areas, but these values do reflect the patterns of benefits and services provided by the employers included in our sample.

Looking at these issues a bit more closely, we turn first to the area of transportation, eating, and employee lounge facilities. Table 23 indicates that eight of the ten industries presented the situation where the larger company provided more or better service in these areas. Out of 100 possible situations (10 companies x 10 different items) where preferential treatment could be given to people at higher levels of the organization, such treatment actually occurred 20 times in medium-sized companies (20%) and 18 times (18%) in the large companies in our sample. The big differences in this area came in the areas of providing an employee lounge (found at least in some locations of nine of the ten large employers as compared with only four of the ten medium-sized employers) and in the area of providing subsidized food (at some locations for seven of the ten large employers contrasted with three of ten smaller employers). Thus in this cluster of benefits and services, the larger companies both offered more (slightly) and offered it to a slightly greater proportion of their work force.

The second cluster included a number of different items which dealt with employee recreation facilities, both at the place of employment, and away from the "plant" -- provision of ice time for hockey teams, equipment, and similar contributions. There was a clear difference in the overall patterns of employer activity. Only one industry presented the situation where the smaller company was more supportive of employee recreation than the larger company. The more interesting difference in this cluster is what the employers tended to support. Sixteen employers, including all of the large ones had some kind of club or organization to which employees could belong and which sponsored different kinds of activities, such as outings, parties, and so forth. Only five employers provided recreational equipment and seven helped provide facilities for recreation. These activities occurred with nearly equal frequency in large and in smaller companies; the large company category was slightly more active in each of these cases. Neither large nor smaller employers in our sample excluded any groups from use of the equipment and facilities made available.

The third cluster of benefits and services we examined in some detail were the outside organizations to which the employers encouraged employees to belong by paying the cost of membership. Country club or luncheon club memberships were provided to some members of nine of the large companies in our sample -- in all cases these memberships were limited to a limited number of executives. In medium-sized companies, seven cases of providing such memberships were found; in four of the seven cases, memberships were limited to the top management people; in two cases middle managers were eligible for this benefit, and in one case certain sales personnel were included. Memberships in professional organizations (engineers, accountants, and similar professions) were paid for in 80% of the companies in the sample--nine of the ten medium-sized companies and seven of the ten large companies.

The cluster of benefits and services having to do with the education of employees showed somewhat higher support for such activities on the part of the large companies. All but one of the companies in this study would reimburse tuition and sometimes book costs to employees who successfully complete the course, but most insisted that the course be related to the person's present or future work. Except for the criterion of job relevance, there was no reported differentiation among employees as to which groups were eligible for these benefits.

Table 23

EXTENT OF SERVICES AND BENEFITS: INDEXES FOR FIVE CLUSTERS

(Note: (1) Parking, Eating, Lounge Facilities  
 (2) Employee Recreation  
 (3) External Organization Membership Subsidy  
 (4) Education Reimbursement  
 (5) Financial Support)

	MEDIUM SIZED COMPANIES					LARGE COMPANIES				
	(1)	(2)	(3)	(4)	(5)	(1)	(2)	(3)	(4)	(5)
Electrical Manufacturing	62	75	33	37	43	48	75	100	37	62
Paint Manufacturing	57	25	67	25	48	67	50	33	37	43
Packaged Food Manufacturing	71	50	67	37	38	86	50	100	75	33
Meat Packaging	71	37	33	37	64	90	37	33	37	62
Oil Refining	43	25	67	25	43	71	37	100	62	43
Mining	52	87	100	50	43	71	87	100	75	52
Air Transportation	67	25	67	37	52	71	50	67	25	43
Retailing	81	75	33	25	33	86	50	100	25	62
Insurance	86	62	67	37	38	76	87	67	25	38
Banking	62	25	67	37	71	62	75	100	37	81
Mean For Size Category	65	49	60	35	47	73	60	80	44	52

The apparent criterion of educational support is not one of a benefit to employees solely, but rather the sponsoring of an activity which may provide direct returns to the organization in terms of increased knowledge or expertise on the part of the employee.

The final cluster of benefits we reviewed had to do with various forms of financial assistance. The more interesting differences seemed to crop up in the area of employee discounts. The smaller companies in the sample were clearly more active in providing such benefits--eight of the ten had some kind of program in this area. This was true for only five of the ten large companies. Generally, employers of both size groupings stay clear from the financial affairs of their employees with the exception of companies which are in industries where such activities may come under the general heading of a "product discount". The one area of exception to this is the area of housing and relocation. The large companies tend to have more guidelines and policies in this area. But this is most likely because their multi-location nature increases the frequency with which they need to deal with the situation.

### Summary

What overall pattern emerges from this area of benefits and services? The pervading trend is one of greater services and benefits from larger employers; it is important to note that it is the consistency, and not so much the magnitude, of the difference which is significant. With the exception of country clubs, preferential travel arrangements, and better spots in the parking lot or better dining room facilities, there seems to be only moderate use of benefits as a means of motivating employees by providing many benefits to those at higher levels. Certainly there are many status symbols which come with level which don't fall into our domain (personnel policies). But there is only moderate use of those things we did ask about as a possible motivator of employee performance. All the other benefits seemed to be focused on attracting or retaining employees, which is the traditional role of these kinds of programs. The only additional comment here is that the posture revealed in the area of education subsidies implies that in many cases it should be viewed much more as a training and development device, rather than a benefit without direct value to the employer.

### Benefits and Services: A Summary

It is a fairly well-worn cliché that fringe benefits are certainly not fringes any more -- constituting as they can close to a third of the costs of employment. Our review of benefits related to financial security and other benefits and services enjoyed by many employees has shown that there are not consistent differences of great magnitude which can be attributed to company size. If anything, the medium-sized employers included in this study were slightly more supportive of benefits aimed at providing financial security to employees while larger employers seemed to be somewhat more active in providing what we have categorized as miscellaneous services and benefits.

Two general conclusions seem warranted.

1. The variations in practice in the benefits and services area are not strongly influenced by the size variable we were investigating. The patterns of similarity of policy and practice are much more compelling than any differences.

2. Indirect compensation (that is, those benefits and services reviewed here) are implicitly aimed at attracting and retaining employees. There seems to be very little use of indirect compensation to motivate performance.

### C. MERIT EMPHASIS

We have already referred to the way that companies seek to gain acceptance of their pay policies at least partly by attempting to base inter-person differences on employee performance (see Table 15B). This is but one aspect of a total "syndrome" of policies and practices which together constitute the effort of the organization to motivate its employees through the recognition and rewarding of performance. We call this syndrome the "merit emphasis" in the company.

An overall "climate" in which employees come to feel that the quantity and quality of their individual job performance is a matter of major concern to the organization is created in many ways, both formal and informal. One potent indicator of this concern is in the day-to-day relationship between the employee and his superior or others for whom he does work. We were unable to assess this interaction in any direct way but were able to ask about four relevant policy areas and the consistency with which they were being implemented.

The four areas of policy that contribute most to our assessment of the intensity of the "emphasis on merit" climate are:

1. the extent to which salary is based on performance;
2. the extent to which promotions occur as a result of performance;
3. the way individual performance is measured and communicated and;
4. the extent to which the overall business planning process itself is related to the performance of its various groups or units in the organization.

The more all these conditions exist, the stronger will be the overall climate of merit emphasis. Let us look at the strength of this climate for the various major employee groups in our sample of companies.

#### 1. Pay Rate and Performance

We have already shown in the previous section (Table 15B) that there is only a very slight difference between large and medium-sized companies in their propensity to base individual differences in pay on estimates of job performance. In 57% of the large companies and 53% of the medium-sized companies the pay rates in all types of jobs taken together are significantly influenced by performance. It will also be recalled that these proportions vary from 0% for blue-collar workers in both types of company to 100% of the companies using merit in top management jobs again in both size samples. Medium-sized are slightly more likely to pay their clerical workers on a merit basis (30% versus 20%) whereas large companies are more likely to use performance measures for setting the pay of sales staff (70% versus 60%) and technical-professional staff (70% versus 50%). Lower level management has a merit criterion in their salary determination in 80% of the cases in both types of company.

## 2. Promotion and Performance

The situation with regard to the use of merit criteria in making promotion decisions indicates somewhat more use of merit than is the case in the merit-pay relationship as can be seen in Table 24. In 67% of all the job groups in the ten large-sized companies, performance was considered as the only or the most important criterion in promotion decisions (as opposed to 57% in the case of salary increase decisions). In the medium-sized companies 58% consider merit the key criterion.

Again, the proportions increase as one moves "up" the job hierarchy. Seniority is the dominant criterion for promotions in the blue-collar ranks (80% in large; 90% in small). Interestingly, medium-sized companies are considerably (40%) more likely to rely on seniority in the clerical jobs while in the large companies the tendency is to treat seniority and merit about equally or to emphasize merit. Both large and medium treat sales staff the same -- predominantly emphasizing merit (70%) and at all levels above that, technical/professional, lower and upper management, the merit emphasis occurs in 80 to 100% of the cases in all companies.

## 3. Performance Appraisal Methods and Communications

As all standard textbooks on personnel management point out, the use of merit as the basis for decisions about employee pay, promotion, training, etc. will not have a strong motivational impact on the employee unless he is aware that his performance is being evaluated, the means by which it is being evaluated, and the result of the evaluations.

The traditional form of performance appraisal is simply that which occurs on an ad hoc basis in the everyday work situation when a supervisor tells an employee he or she has done a good or poor job on some specific matter (usually the emphasis is on poor work). General appraisals of work overall or work over a long period of time are not provided. In a few cases, where the work can be measured precisely in terms of quantity of pieces produced, units sold, money saved, etc., a specific target or standard is set and performance is measured automatically in terms of how much the person achieves relative to the numerical target. Finally there is the planned, systematic, periodic, formal appraisal in which the superiors are required to explicitly appraise the work of their subordinates along several specified dimensions, and relate these judgments directly to recommendations on salary, promotion or other matters. This is the type of performance appraisal system used in our sample of companies shown in Table 25.

If one assumes that planned, periodic performance evaluation is more likely to have a stronger motivational impact on employees than other forms of appraisal (an assumption which has not been either proved or disproved in any rigorous fashion to our knowledge), then the big companies come out ahead of the medium-sized by 19% over all jobs (66% use versus 47% use of planned periodic appraisals). The predilection of the medium-sized companies for the less "modern" ad hoc approach is particularly noticeable in the ranks of lower and upper management. Of five companies which use the ad hoc method for all jobs, three are medium-sized (paint manufacturing, air transportation and retail sales) and two large (meat packing and air transportation).

Table 24

EXTENT TO WHICH "MERIT" IS A FACTOR IN PROMOTION DECISIONS

Company Size	JOB GROUPS						
	Blue Collar	Cler. Sales	Tech/ Prof.	Lower Mgmt	Upper Mgmt	All Job Groups	
	%	%	%	%	%	%	%
<hr/>							
Medium Sized Companies <u>(N = 10)</u>							
All Seniority or mostly Seniority	90	70	20	20	0	0	33
Merit and Senior- ity equally Important	0	10	0	0	10	10	5
All or mostly Merit	0	20	70	80	90	90	58
Job category not applicable	10	0	10	0	0	0	5
Large Sized Companies <u>(N = 10)</u>							
All Seniority or mostly Seniority	80	30	20	0	0	0	22
Merit and Senior- ity Equally Important	0	40	0	10	0	0	08
All or mostly Merit	10	30	70	90	100	100	67
Job category not applicable	10	0	10	0	0	0	5

Table 25

TYPE OF PERFORMANCE APPRAISAL SYSTEM USED

Company Size	JOB GROUPS						
	Blue Collar	Cler. Sales	Tech/ Prof.	Lower Mgmt	Upper Mgmt	All Job Groups	
	%	%	%	%	%	%	%
<u>Medium Sized Companies</u> (N = 10)							(N = 60)
Ad hoc performance appraisal	60	30	40	30	40	50	42
Quota or target achievement	10	10	10	10	10	0	8
Planned Periodic Appraisal	20	60	40	60	50	50	47
(Not relevant job category)	10	0	10	0	0	0	3
<u>Large Sized Companies</u> (N = 10)							(N = 60)
Ad hoc performance appraisal	40	30	30	20	20	30	28
Quota or target achievement	10	0	0	0	0	0	2
Planned Periodic Appraisal	30	70	60	80	80	70	65
(Not relevant job category)	10	0	10	0	0	0	3

The actual carrying out of a performance appraisal is important but it can be put to various uses. When its results are communicated to employees it is intended to act as a direct form of motivation. When not communicated it is usually used as an input into salary or promotion/transfer/demotion decisions as already discussed in the chapter on human resources logistics. In our sample it is notable that 90% of the large companies reported that they made an effort to communicate the results of performance appraisals to those appraised with the interaction of motivating them, while only 60% of the medium-sized companies reported this practice.

Furthermore, when middle-sized companies do undertake interviews with employees about the results of performance appraisal the interview is much more likely to be conducted as part of the communication of salary increases. This is a version of the basic interview format that goes along the lines of: "Well Jones, you've been doing (good, steady), (rather below par), (exceptional) work so we have decided your salary this year will be "x" dollars." Sometimes this discussion of performance and salary is accompanied by further discussion of what the employee might do to improve his appraisal next year. Seventy-two per cent of the medium-sized companies conduct this type of combined appraisal and salary review interview, while only 56% of the large ones do. The large firms are more likely to separate the discussion of an employee's appraisal. According to personnel experts, this separation of interviews is much more positively received.<sup>21</sup>

So far what we have reported on the nature and forms of performance appraisal is what our sample of firms told us was their official policy or standard practice. It is well known, however, that what senior executives or personnel experts put forward as what should be done by supervisors in the way of appraisals is not always what occurs in practice. Many operating executives in fact have a deep dislike for carrying out annual performance appraisals and particularly communicating these evaluations to employees. They either do the job perfunctorily, skimp or omit the interview, or ignore the whole procedure altogether. Similarly, they may never refer to the records of appraisals in practice when making promotion or salary decisions. We attempted to obtain some idea how well performance appraisal systems worked out in practice by asking about it directly to our personnel specialist respondents and also to the small sample of operating managers we interviewed. Where there was high variation in what they told us about how they appraised employee performance and what they did with the results we recorded "low consistency" with the officially promulgated system. If one or at most two reported "deviant" behavior or the kinds of variations reported were minimal we judged the situation to be one of "moderate consistency", and when all reported that they actually did what the formal procedure called for we recorded "high consistency". The results of this set of judgments is shown in Table 26. It can be seen that achieving high consistency in the application of performance appraisal schemes is a difficult task at best, especially for smaller sized firms. Only 20% of the large ones manage it in our estimate, though 50% of them come up with a moderate level of consistency. The bulk (80%) of the medium-sized firms were judged to have low consistency in the application of their performance appraisal systems.

#### 4. Use of "Management by Objectives" Types of Business Planning Systems

Our last indicator of the extent to which a company tries to create a climate in which performance is seen as the best means for getting ahead is one which looks at the company's use of an overall planning strategy which could loosely be termed Management by Objectives. Without getting into an elaborate discussion of the details of this approach<sup>22</sup> it essentially means that rather than simply reacting to what has happened or basing future plans solely on past results, the organization attempts to define specific, measurable goals and objectives for itself based on its best predictions about future developments. These very general goals formulated at the top are then used by the next level of hierarchy as the basis for setting their goals and so on down the line until, in theory, every person has developed specific, concrete goals which tie directly to the broad business goals. Two additional features of this objective-setting process are notable: (a) Higher level goals are based partially on information from below on what lower level components have done in the past and think they can do in the future. It is not totally a "top-down" process; (b) Individuals set their own objectives in consultation with their superiors to ensure that they tie in to the broader goals and these individual objectives become the basis for the employees performance appraisal: either he or she achieves his or her objectives or does not, and must analyze why and seek to achieve reconciliation of objectives and achievement next time.

While this is the gist of "M.B.O." there are many particular variations on the general theme and actual practice can deviate more or less from the ideal. Often, for example, there is in fact little actual involvement of the lower levels in setting either their own or upper level objectives. Also, if a person fails to meet his objectives once set, this is taken as an indication of personal failure rather than a problem requiring analysis. Both situations can totally destroy any motivational value in an M.B.O. program.

Table 26

#### CONSISTENCY OF ACTUAL PRACTICE WITH OFFICIAL PERFORMANCE APPRAISAL PROCEDURES

<u>Company Size</u>	<u>High Consistency</u>	<u>Moderate Consistency</u>	<u>Low Consistency</u>
Medium-sized (N = 10)	0%	20%	80%
Large (N = 10)	20%	50%	30%

We were not able to delve into the way M.B.O. was actually practised in the firms we studied, but we did attempt to ascertain if any attempt was being made to use any type of M.B.O. approach as a matter of policy and, in our interviews with operating executives, whether the policy was in fact being implemented. (It is well known, for example, that many organizations have launched ambitious "M.B.O." programs with training courses, planning forums, etc. and had them wither away to nothing in a few years.)

We judged a company as having a "minor" effort if it had either just begun talking about M.B.O. or had a scheme that had almost withered away. A "maximum" effort was recorded where the organization appeared to have an all encompassing top to bottom effort in all departments and divisions that was taken seriously and implemented thoroughly by operating managers. Between these two we designated as a "serious" effort those firms which had M.B.O. type programs in a significant part of the organization -- usually middle to upper level management -- that had been in existence for two years or more and still appeared to be accepted and used by operating executives.

By these criteria we found in the large firms: two with a "maximum" effort; five with a "serious" effort; one with a "minimum" effort and two with no effort at all. Conversely in the medium-sized firms: none were "maximum"; one was "serious"; two - "minimum" and seven with no effort. Thus 70% of the large firms were making at least a serious effort to apply M.B.O. ideas as opposed to only 10% of the medium-sized firms.

### Summary

When all the indicators in the study of the extent to which companies emphasize "merit" or performance in their dealing with employees are taken together, it becomes clear that, at least in terms of official policies and programs, this emphasis is considerably stronger in large as opposed to medium firms. They emphasize merit in salary decisions 4% more than do the medium firms; they emphasize merit in promotion decisions 9% more; they make use of systematic periodic performance appraisal 19% more; they conduct motivational interviews based on the performance appraisal in 30% more cases; they are 50% more likely to be consistent as between policy and practice in carrying out performance appraisals and they are 60% more likely to have a serious or maximum effort at some form of "Management by Objectives". Any one of these results alone could be questioned or considered as an inadequate indicator. However with all of them pointing in the same direction, albeit with varying degrees of strength, the total result is quite inescapable.

Several interpretations of these results are possible. For example, that increased size simply makes it more necessary to make merit-emphasis policies more formal and that smaller companies could be exerting as much or more emphasis but in a non-formalized fashion. Our impression based on the line management interviews, however, was that this is not the case. Those that informally seemed to emphasize merit also had most of the more formal programs and policies as well.

Another explanation, ultimately an economic one, is that the larger firms earn larger profits and this in turn allows them to hire both more up-to-date, sophisticated managers and more specialists in personnel administration. Together these kinds of decision-makers are more likely to accept the merit principle as the prime basis for making personnel decisions and be aware of the latest practices for implementing it. Of course we are unable to definitively test this hypothesis explicitly, but it has a certain plausibility.

## INTRINSIC REWARDS

Most of the policies, programs and practices we have discussed so far under the general heading of "Motivation Systems" refer to a type of motivation which the psychologists call "extrinsic".

Intrinsic motivation refers to self-induced rewards derived directly from personal thoughts and actions. No external other person is necessary to provide a reward which satisfies some desire which is not related to the action being performed. The most commonly known of these kinds of rewards are psychological values such as: "pride in one's work", a feeling of accomplishment, a feeling of being needed or counted on to make a contribution. The problem with intrinsic rewards is that, being self-generated, it is not easy to predict for large number of employees which conditions will create them. What creates them is certainly nothing so relatively straightforward as pay policies or fringe benefits. One factor that can help increase the potential for experiencing them is a performance appraisal program which attempts to communicate to employees how well they are doing. In some jobs it is difficult to take pride in a job well done without encouragement from others. If the others' report is felt to be biased, based on ignorance or otherwise lacking in objectivity, of course it will not have an intrinsic motivational impact. It is for this reason many performance appraisal programs in fact fail to be of any value; the employee does not accept either the objectives or the criteria of judgment.

There are a very few programs which can be initiated by employers which do seem to be aimed quite directly at increasing the opportunity for intrinsic motivation to occur among employees. One of these is "Management by Objectives" programs of the kind already discussed. Where the programs in fact follow the theory of this approach, the employees have an opportunity to considerably influence the objectives toward which they must work. Having defined their own goals, and been given the autonomy to achieve them, it is much more likely that feelings of pride and accomplishment will be felt if they are achieved. Unfortunately the actual practice only occasionally conforms to the theory. As one of our line manager respondents in a bank put it: "All that M.B.O. stuff is a farce. They ask us to set objectives but realistically speaking we have practically no influence at all over whether these objectives will be met or not. They are largely determined by the banks' interest rates on deposits and costs of borrowing, neither of which we have any influence on at all".

Individual involvement in objective setting is but one form of a more generic condition namely the total amount of influence people have on the decisions which affect them. Beyond the level of the individual job is the whole realm of what has variously been called "employee democracy", "worker participation", "co-determination" (a particular term applied to German efforts) or "power equalization". Specific programs range from a minimal effort to allow subordinates to "sound off" their opinions after a decision has been made, with the faint possibility of their reactions causing a change, through genuine efforts to learn employee opinion prior to a change, to the rare case where employees or their representatives are invited to share authority for

actually making decisions. In each case the theory is that involvement creates a stronger likelihood of employees obtaining intrinsic motivation through participation and as a result performing their work better.

The actual extent to which our sample of companies provided employee involvement in decisions affecting them is discussed in detail in the section on decision-making processes below. Suffice it to say here that in general there are really very few incidents of formal employee participation programs beyond the traditional one of collective bargaining. Even the collective bargaining process seldom strays very far from the issues it has dealt with as can be seen in our results section on that topic. The most that tends to be done is to make formal statistical surveys of employee attitudes (three cases, two large, one medium-sized) or to conduct regular staff meetings to discuss policy changes (usually ex post facto) or, in two cases, to sponsor "employee councils" at major work sites at which elected employee representatives are encouraged to raise any issues which may concern them (though negotiating or other forms of decision-making involvement are not allowed). Needless to say, these kinds of programs and practices are a far cry from the more extensive and intensive forms of employee participation being tried on a fairly large scale in many European countries (e.g., Scandinavia, Germany, Holland, France).<sup>23</sup>

Another method of encouraging the occurrence of intrinsic motivation is the implementation of job enrichment programs. These are attempts to increase the variety, complexity and responsibility of an employee's work on the assumption that work which provides a challenge is more likely to provide feelings of pride, accomplishment, self-worth. Widely promulgated by people such as Herzberg<sup>24</sup> and experimented with considerably in Europe, and less so in the United States, it was found to be rarely tried here. In fact only two of our twenty firms (both large) had made any efforts in this direction at all. Significantly both reported that among the employees affected, turnover had dropped, productivity had been maintained or increased and morale had risen. Both emphasized, however, that the means by which job enrichment was introduced is as important as the scheme itself in making it work.

### Summary

Canadian businesses, large and small, trail the industrialized world in experimentation with methods of increasing the intrinsic satisfaction to be gained from work. Those who support such activities as employee participation and job enrichment feel they represent one of the few ways of combatting increasing worker alienation which, if not checked, could eventually wreak havoc on all organizations and ultimately affect our economic well-being and total social system.

### CONTROL AND DISCIPLINE OF EMPLOYEES

Thus far we have talked about policies, programs and practices which are intended to act as positive motivators to attract, retain and elicit a high level of performance from employees. Salary, promotion, feedback on how well one is doing, are all forms of reward. Organizations do not depend solely on rewards for motivation, however. They also, to varying degrees, attempt to control employee behavior by specifying rules and regulations then punishing people who disobey them. We have called this activity the control and discipline of employees and were curious as to how much and what kind of

rules and disciplinary procedures there were in our sample of companies. We could not, of course, obtain details on those rules which are specific to each person's work but instead concentrated on rules governing non-work behavior.

The following matters on which non-work related rules and disciplinary procedures could exist were asked about: 1. absence from work; 2. punctuality; 3. timing of work breaks; 4. leaving the work place during work hours; 5. non-work related conversation during work hours; 6. use of telephone for personal calls; 7. dress and appearance at work; 8. gambling on company premises; 9. drinking and drug abuse; 10. deportment (fighting, horseplay, foul language); 11. sleeping on the job; 12. safety; 13. insubordination and dishonesty.

We first of all asked if written official rules existed regarding employee behavior on each of these matters (realizing that non-formal expectations might well exist without anything being written down). We next asked if formal disciplinary procedures existed which state what is to be done about employees who violate the rules. Finally, in realization of the fact that rules and disciplinary procedures might exist on paper but not be followed in practice, we asked our operating executives and others how strictly discipline procedures were applied in actual practice.

#### WRITTEN RULES CONTROLLING EMPLOYEE NON-WORK BEHAVIOR

The proportion of written rules found across the 13 areas of non-work behavior noted above can be seen in Table 27.

The first general point to notice is that, of the potential of 13 non-work behavior rule areas asked about, only about half of them (53%) actually resulted in rules being made in our sample of 20 companies. Neither the large nor the medium-sized companies could be considered excessively "rule bound". As can be seen however, large companies are nearly 10% more rule-prone than medium-sized companies. This is in keeping with previous research which has shown that rules of all kinds tend to increase with size. It is notable, however, that quite a high level of inter-industry variation exists as well--from a low of 15% written rules in the medium bank to a high of 85% in the large mining company. In general the white-collar and high-technology industries had fewest rules, while manufacturing and mining had most. Lower skill level and education in the work force seems to be associated with a felt need for formalized rules on non-work matters.

#### SPECIFIED DISCIPLINARY PROCEDURES

Disciplinary procedures spell out what is supposed to be done when someone disobeys the rules. It should not be assumed that the existence of formal procedures in this area implies a harsh punitive attitude, however. Indeed the spelling out of procedures may well represent an approach to forestalling the use of arbitrary punitive power by individual managers. Typically, most procedures require a rule violator to be given an interview and mild warning on first offence, a more formal and severe warning on second offence (usually written and placed in an employee's file), suspension on third offence and ultimately termination. In a few cases, such as for dishonesty or insubordination, the rules specify immediate suspension or dismissal as the first step. In many companies the written procedures

TABLE 27

PROPORTION OF WRITTEN RULES TO CONTROL EMPLOYEE NON-WORK BEHAVIOR  
(OUT OF 13 POTENTIAL RULE AREAS)

Industry	Medium Sized Companies %	Large Companies %	Industry Mean %
Electrical Manufacturing	61	69	65
Paint Manufacturing	77	61	69
Food Manufacturing	61	77	69
Meat Packing	61	69	65
Petroleum	23	31	27
Mining	77	85	81
Air Transport	46	46	46
Retail	38	69	54
Insurance	31	38	35
Banking	15	30	23
Mean across all industries	49	58	<u>Grand Mean</u> 53

emphasize the need in the early stages for the supervisor to try to find out why the employee is violating the rule and work constructively to search for ways to help him or her overcome the problem. The multi-step approach tries to overcome the old fashioned "bull of the woods" style in which supervisors could fire employees on a whim for the slightest real or imagined provocation. On the other hand it is possible for a company to emphasize this more human approach to discipline informally in its management training activities and by word of mouth. An understanding about how to treat rule violators can exist without anything being written down. Many companies do it this way because they feel published disciplinary procedures will be seen by employees as indicating distrust of them and as conveying the expectation that they will break rules.

Table 28 shows the extent to which formal, written disciplinary procedures existed in our sample. There is a slightly lower tendency to specify the rules of behavior themselves, and again the larger companies are about 10% more likely to provide a written disciplinary code. The distribution of this tendency between industries is also much the same as for rules with the exception that meat packing and paint companies have quite a low number of procedures albeit a rather high proportion of rules. The same holds true, though not quite to the same extent, with the medium-sized retail and both insurance companies.

Regarding which particular matters are thought to be most in need of disciplinary control: absenteeism, drinking and insubordination/dishonesty are subject to procedures in 50% or more of the firms in both large and medium-sized samples. In addition, the areas of lateness, fighting/horseplay and violation of safety rules were found to have formal discipline procedures in 60% of the large companies but only 30% to 40% of the medium-sized ones.

Table 28

PROPORTION OF COMPANIES WITH FORMAL DISCIPLINARY  
PROCEDURES ON 13 AREAS OF NON-WORK BEHAVIOR

<u>Industry</u>	<u>Medium-Sized Companies</u>	<u>Large Companies</u>	<u>Industry Mean</u>
Electrical Manufacturing	54%	61%	58%
Paint Manufacturing	15	23	18
Food Manufacturing	61	77	69
Meat Packing	38	15	27
Petroleum	15	15	15
Mining	61	85	73
Air Transport	23	23	23
Retail	15	61	38
Insurance	15	15	15
Banking	8	31	19
Means across all industries	31	40	<u>Grand Mean</u> 36

## STRICTNESS OF APPLICATION OF DISCIPLINE

Whenever we asked about formal disciplinary codes or understandings we suggested that these are not always uniformly applied and that individual managers still had a lot of influence on whether discipline in actual fact was harsh or lenient. We then would ask what the actual practice was as our respondent saw it, and code the subsequent reply as indicating a "very strict", "moderately strict", "moderately lenient" or "very lenient" general disciplinary climate. Putting these judgments from all respondents together we made a judgment about the company as a whole.

Table 29 shows a scale composed of the score given for degrees of leniency (from '1' for very lenient to '4' for very strict) multiplied across the 13 rule areas we asked about, and divided by the highest possible score to yield a percentage of the highest possible score. Thus, the higher the number the more strict the firm was judged to be.

Table 29

### ESTIMATED STRICTNESS WITH WHICH DISCIPLINARY PROCEDURES ARE APPLIED TO OFFENDERS

<u>Industry</u>	<u>Medium-Sized Companies</u>	<u>Large Companies</u>	<u>Industry Mean</u>
Electrical Manufacturing	61%	64%	62%
Paint Manufacturing	55	69	62
Food Manufacturing	59	82	71
Meat Packing	62	61	62
Petroleum	50	50	50
Mining	52	56	54
Air Transport	60	50	55
Retail	71	66	68
Insurance	33	75	54
Banking	75	62	69
Means across all industries	58	63	<u>Grand Mean</u> 61

As can be seen from the table, the total sample of firms turned out to be "moderately strict" in their application of the rules. (The Grand Mean of 63% represents a mean score of 3.3 on the range from very lenient (1) to very strict (4)). In the case of strictness the differences that previously existed between large and small companies diminish somewhat. Large companies may have about 10% more rules and disciplinary procedures but they are only about 5% more strict in enforcing them. Of course if the disciplinary procedures are very humane and based to a large extent on counselling and problem solving in the early stages, this "strictness" could actually work to the employees' benefit.

## SECURITY PRACTICES AS INDICATORS OF TRUST IN EMPLOYEES

To some, the elaboration of rules and disciplinary procedures implies a lack of trust in the employees. An additional indicator of the level of trust might be the extent to which the organization feels the need for security arrangements to prevent theft or damage to property or records by its own employees. We asked about the extent to which each organization used such measures as: 1. credit and other security checks on employees after being hired; 2. use of limited access by employees or others to various areas of company premises; 3. use of security personnel at entrances and exits to company buildings; 4. actually checking employees' persons, bags or parcels as they leave the premises; 5. use of employee identification cards; or 6. the use of special security devices such as T.V. cameras, covert security personnel, etc. Of these, 2, 3 and 5 could be considered as measures primarily for screening non-company members. The remainder, however, (credit checks, employee search and "special devices") are primarily aimed at preventing or detecting employee theft.

In our sample 83% of the large companies but only 45% of the medium-sized used one or more of these employee-directed security devices. Clearly the more people who work in an organization the more strongly the need is felt to check on them. Credit checks are the most common device used: 60% of both large and medium-sized rely on them. Employee search is carried out in only 33% of the medium companies and 90% of the large companies which gave us information on the matter. Other "special devices" of various kinds were used in 33% medium and 75% of the large companies reporting. As might be imagined these security measures are not applied uniformly to all employees. Some or all of the blue-collar workers get checked on most while managerial employees are least subject to any of the security measures.

### Summary

The area of rules and discipline represents various forms of "negative" motivation which the organization can use to control employee behavior. Looking solely at matters of non-work behavior (lateness, absenteeism, theft, insubordination, etc.) it appears that most companies are not heavily laden with written rules (about 53% of the potential rule areas we asked about) and even less likely to feel the need for formal statements about what disciplinary procedures should be applied to rule breakers (36%). Among those with rules and procedures, however, large-sized firms are about 10% more likely than medium-sized to make things formal. They are also slightly (about 5%) more strict in applying the rules and almost twice as likely to have security procedures that require employee honesty to be checked in one way or another. Having said all this, it must be emphasized that there is not sufficient evidence on which to conclude that big companies are more punitive than those of smaller size. They have the structural framework of formal rules and procedures which would allow them to be but it is still entirely possible to have an oppressive climate of fear of punishment and constant surveillance simply as a result of the behavior of supervisors and a highly restrictive work routine. These latter conditions were outside the scope of this study. Our strictly subjective overall impression, however, was that large companies had slightly more formalized rule structures but were more harsh than medium-sized ones in applying discipline. Most disciplinary procedures seemed intent on providing a "due process" to violators and opportunities for counselling and problem solving.



## Chapter 6

### RESULTS OF THE STUDY:

#### SOCIAL INITIATIVE

##### Introduction

The kinds of companies we studied are substantial, diverse and complex organizations. Many people are involved in making them run. Thus, when we talk about the "motivational" intent of various policies we are clearly imposing our judgment about their purpose since we have no way of knowing what the many people involved in actually deciding the policies had in mind when they did so.

There is yet another group of policies on which we have arbitrarily decided to impose our judgment with regard to their intended purpose. We call them the "Social Initiative" group and we mean by this several policies or programs provided to benefit employees not because it is expected that they will attract good people, keep the best from quitting, or encourage everyone to do their best work, but simply because it is felt to be socially desirable to provide them. This element of social desirability may exist because policy makers see significant others (unions, governments, professional bodies) outside the organization demanding or urging these kinds of programs. Or the impetus may simply arise from an inner conviction or belief that is idiosyncratic to the decision-makers that employees would appreciate the benefit or should have it.

Typical of the kinds of programs we have in mind would be the following:

- (a) "Disadvantaged Minority" programs. By the canons of strict economic rationality there is often little or nothing to be gained from hiring people whose opportunities for jobs and advancement are, for whatever reason (usually that of prejudice), less than those of the majority. For example women, physically or mentally handicapped people, recent immigrants unable to speak English, rehabilitated criminals, etc. In Canada and the United States, civil rights legislation has helped provide more equal opportunities and, in the United States especially, one finds "affirmative action" programs in which employers make special effort to hire, train and promote members of certain disadvantaged minorities;
- (b) Another social initiative policy area is that of retirement counselling. To provide special services to enable an imminent retiree to better prepare himself for his new life can, again logically speaking, have little "payoff" for the organization since the recipients of the service are by definition about to cease their employment.

A number of other programs border on the realm of social initiatives but also contain a stronger possibility of some motivational impact. Included in this group would be such things as professional counselling for employees with emotional problems, family or financial and legal problems. Medical services which extend to physical checkups, sponsorship

of keep-fit classes etc. could be said to be keeping employees healthy and happy hence more productive but certainly also seem to have a strong social responsibility element. Similarly schemes which provide scholarships for the education of an employee's dependents may have some slight benefit in attracting or retaining employees but go beyond the usual fringe benefits. Also a policy which encourages employees to enter into public service work and provides paid time off for that purpose, might be said to be a primarily altruistic gesture though elements of self interest could be detected in it.

The point is that no definitive means exists for proving what motivates any given policy. We have arbitrarily chosen a few of the most obvious programs that suggest a social initiative intent and relegated the remainder to the motivation section.

#### DISADVANTAGED MINORITIES

In the realm of special hiring, training or promotion programs for disadvantaged minorities, Table 30 shows the efforts being undertaken. As can be seen, eight possible groups were asked about in the twenty companies.

Table 30

#### SPECIAL PROGRAMS FOR DISADVANTAGED MINORITIES

		Large-Sized Companies		Middle-Sized Companies
	N		N	
Handicapped	3	Oil, Insurance, Air Trans.	1	Elec
Mentally handicapped	0		0	
Women	4	Retail, Ins., Banks, Paint Mfg.	0	
Indigenous people	1	Ins.	1	Mining
Ex-criminals	1	Ins.	1	Meat Packing
New immigrants	1	Ins.	0	
Ex alcoholic/drug users	1	Ins.	0	
Others (Undereducated, etc.)	2	Ins., Bank	0	
<hr/>				
Company size: Percentage of	16%		04%	
Total potential				
		Grand Means (10%)		

If all companies had had some kind of program for all groups we would have recorded 160 "yes" replies. Instead we recorded 16, or 10% of the potential. Of that 10%, the large companies do most by far; 16% of their potential over the eight groups as opposed to 4% for the medium-sized.

A program did not have to be very big to be recorded as a positive effort in our data: as little as a special attempt to hire members of a particular group would qualify. By these minimal criteria most was being done for women and the handicapped. The major employees of female clerical labor--the large banks, insurance companies and retail stores--had the most full blown programs usually involving special efforts to develop and identify management potential in women and promote more up the hierarchy. In the case of the handicapped the usual program involved identifying types of work that were particularly suitable for people with certain kinds of handicaps and occasionally providing special facilities for them.

Other than those for women, only one of the programs represented what we would call a major effort for a disadvantaged group: this was an integrated program by one of the banks to provide help for undereducated young people from low income urban slum backgrounds. The program, while limited in size, involves "hiring" the young people and providing them with a lengthy period of counselling and training in basic skills necessary for gaining white-collar kinds of employment: reading, writing, speaking, business math, dress and deportment. This is provided in special quarters by specially hired and trained counsellor-teachers. When finished the program, the graduates are offered a regular job in the bank but are also encouraged to seek employment elsewhere and given counselling in finding such jobs. An effort on the part of the bank to interest other banks and major employers in its head office city in cooperating to create a larger program of this type has failed.

Based on this sample it would appear that business in Canada sees itself as having very little responsibility for helping disadvantaged minorities.

#### EMPLOYEE COUNSELLING

Many of the personnel specialists we talked to in every kind of business emphasized that they were more than willing to help employees with personal problems of any kind. Most of them claimed that this willingness had been communicated throughout the organization and as a result they regularly did in fact deal with such matters. In addition, a few made a point of getting out to various operating units, finding out which people had which kinds of problems and initiating the contact themselves. This was especially the approach in cases of employees approaching retirement and those with drinking problems.

These kinds of non-formal, individual initiatives by personnel managers were not considered when we asked about formal counselling programs provided for employees. Rather we were interested in officially approved programs which set aside some resources of time, staff and facilities for their implementation. For example a pre-retirement program that involved a special course, or a special consulting psychologist; a program for alcoholics that included a statement of

the company's position on alcoholism, a defined counselling responsibility for this in the position of a part- or full-time physician or other specially trained counsellors or paid referrals to community based agencies, etc. Family/Marital/Personal problem counselling programs might involve the hiring of a full- or trained part-time social worker or clinical psychologist.

Considering programs of this degree of formality we judged them as being either "major" or "minor". The results of our survey are shown in Table 31. Five areas of counselling were discussed: retirement, alcohol and drug abuse, career planning, financial and legal, and personal/family matters. Thus a total of 50 "efforts" (ten companies times five counselling areas) were possible. Among the medium-sized firms none were considered as having any major efforts and seven minor efforts were noted. This is 14% of the potential. Large firms were considerably more active. Fifteen minor efforts and 10 major efforts were noted representing 30% and 20% of the potential respectively or some kind of effort in a total of 50% of the potential cases. One of the two biggest areas of counselling was in pre-retirement: two of the large companies had major efforts involving special classes, individual counselling and the use of outside experts; five more had minor efforts and three of the medium companies also had minor efforts. These usually involved group sessions that concentrated on financial matters arising out of various benefit plans.

The second biggest counselling effort was for people with drinking or drug problems. Four large firms had major programs involving formal policy statements and the use of specially trained personnel. Four more had minor efforts as did two of the medium-sized companies. Career counselling was provided in a major way by three large companies and in a minor way by three other large companies. None of the medium-sized did anything in a formal sense for employees with doubts about their career choice of development. The remaining areas of counselling were sparsely represented: three instances of minor marital/family/personal counselling programs and three of a minor nature involving advice for employees with financial/legal problems.

Altogether our sample of 20 companies provided major counselling programs in 10% of the total possible and minor programs in another 22%. While this shows a little more social initiative than in the case of disadvantaged minority programs it still indicates a general reluctance to become involved in anything other than on a non-formal level with what are essentially employees' personal problems.

It was noted earlier that a few programs might be considered as marginal indicators of social initiative, such as the provision of regular medical checkups, scholarships for dependents, and community service "sabbaticals" for employees. In the use of medical check-ups the picture is somewhat lopsided in a way that does not leave the companies appearing too altruistic. Considering all six major employee groups, the medium-sized companies provide medical check-ups in 28% of the cases and the large in 45% of the cases. Most of these mean proportions however are made up of companies who provide check-ups for management personnel only especially upper level management. Thus eight out of ten large

companies provide check-ups for their upper management but only three or four out of ten provide them for the remaining employees. Five out of ten middle-sized companies provide check-ups for upper management and only two or three out of ten do so for the remainder.

As for scholarships for dependents only three companies had such a program: two large and one medium-sized. Of these, two had a small number offered to children getting highest marks while a third provided paid tuition fees for all children obtaining 70% average in high school and maintaining that average at university or college.

Finally, in the matter of the provision of official encouragement and paid time off for employees engaging in community service work or holding elected public office, the picture is equally bleak. Most companies were willing to provide unpaid time off for such work and a few big ones stated this in writing. Again a few of the large firms had a practice (not a policy) of allowing paid time off for top level executives taking on major non-controversial positions like heading the Chamber of Commerce or the local United Appeal type of charity drive. We have only heard of one firm, not in our sample, which has publicly announced that it is willing to provide a form of paid sabbatical leave for employees who wish as much as a year off to engage in some form of public service work.

#### Summary

Though it is admittedly a difficult and somewhat subjective matter to measure and evaluate, it is nevertheless our impression that Canadian business as represented in our 20 company sample does not feel high levels of responsibility toward its employees or potential employees beyond the traditional limits of providing jobs and financial security. Of the little that is done in such areas as "affirmative action" employment programs, employee counselling, medical check-ups and employee dependent educational aid, more is done by large than middle-sized companies possibly reflecting once again the greater amount of organizational "slack" money resources which can be diverted into such non-profit related activities.

Table 31

EMPLOYEE COUNSELLING PROGRAMMES

Medium-Sized												Large											
Retire- ment		Alcohol		Career		Marital/ Personal		Legal/ Financial		Retire- ment		Alcohol		Career		Marital/ Personal		Legal/ Financial					
		Maj	Min	Maj	Min	Maj	Min	Maj	Min	Maj	Min	Maj	Min	Maj	Min	Maj	Min	Maj	Min				

Minor: 14%  
Major: 0  
(n = 50)

Minor: 30%  
Major: 20%  
(n = 50)

All companies: proportion of total potential:  
Minor: 22%  
Major: 10%  
(N = 100)





## Chapter 7

### RESULTS OF THE STUDY:

#### STRUCTURE AND PROCESS CHARACTERISTICS OF DECISION-MAKING

##### OVERALL SOPHISTICATION OF PERSONNEL POLICIES

There are many ways to approach the analysis of human resource management techniques. Our main purpose in this report has been to identify patterns of difference and similarity between large employers (those which are large relative to the size of the industry in which they operate) and employers in the same industry who are of a medium size. This comparison is multi-dimensional; we have devoted considerable space to a number of the dimensions which we investigated and judged to be important. In retrospect, we would like to look at a more general characteristic of human resource management. It may be labelled "sophistication".

The sophistication of human resource management practices as we use the term is defined in terms of (1) the elaborateness of its policies and programs in the several areas of personnel management and (2) the degree to which the practices employed are the result of careful analysis (as opposed to being based on convention or imitation). A sophisticated approach to human resource management involves both elaborate programs aimed at various aspects of the employment relationship and an analytic basis for using, continuing or altering these programs.

We identified five areas of human resource management policies which offer high potential for sophistication as we define it.

- A. Job analysis and job evaluation
- B. Compensation policy
- C. Performance appraisal
- D. Recruiting and selection
- E. System-wide programs.

The following general conclusions seem warranted.

1. Large and medium-sized companies did not differ in the extent to which their work forces were covered by job analysis and job evaluation. However, the large employers consistently equalled or exceeded their medium-sized counterparts in both the thoroughness of the procedures used to arrive at the job analysis/evaluation and the maintenance of the results insofar as they were kept up-to-date.
2. Except for two industries (paint manufacturing and meat packing), there was no major difference between medium-sized and large companies in the degree of formality of their compensation policies. (As noted in Chapter 5, the goals they had did differ, but there was roughly equal ability to articulate those goals.)

3. There were major differences between medium-sized and large companies in the assessed sophistication of their performance appraisal systems, the large companies being quite a bit more advanced in the use and application of performance appraisal.
4. Planning for future human resource requirements and how to meet them was more advanced in the large companies in our sample. Only one of the smaller companies was involved in what we could characterize as a significant effort in this area while five large companies had some significant activities under way. (See Chapter 4 for an elaboration of this point.)
5. Recruiting and selection procedures were quite similar in their degree of sophistication, when the large and middle-sized companies are compared on this dimension.
6. System-wide programs (MBO, organization development, and so forth) were significant in only one of the medium-sized companies. About half of the larger companies were making serious efforts in one or more of the system-wide program areas we asked about.
7. The level of sophistication in the larger companies, though consistently equal to or exceeding the average of the medium-sized companies, was below our expectations in the areas of performance appraisal and recruiting/selecting employees.
8. Size is not the only influence on sophistication of human resource management practices. Even a casual review of the tables in this section reveals a great deal of variation within both of the size categories. It would be imprudent to speculate as to whether the differences were rooted in industry-specific factors since there was little anecdotal evidence to suggest this and there are only two companies per industry in the study.

We turn now to a review of the results in the individual dimensions considered in this section.

#### A. Job Analysis and Job Evaluation

Careful analysis of jobs to determine the human requirements they demand can hypothetically be put to many uses. In practice, we found job analysis led to one main result--job evaluations which allowed the employer to build a structure of pay rates which would hopefully meet the dual criteria of perceived internal equity (from current employees) and competitiveness in the labor market (as reflected by the capability of the employer to attract and retain employees). If job evaluation is done effectively, the benefits to the employee are a sense of fair treatment when compared to the treatment of his/her colleagues. The benefits to the organization are the elimination of some recruiting problems and a contribution to the morale of employees.

Table 32 presents index values for each of the twenty companies in our study; it also presents means for each of the two size categories, each of the ten industries, and a grand mean for the entire group. The scores reflect an assessment we made, via a structured interview, of how complete the job analysis/evaluation coverage was and whether the results were updated on a regular basis. The maximum possible value on the index is 100. Such a value would indicate that all jobs were covered and that regular reviews and updates of those evaluations were carried out.

Table 32

INDEX OF SOPHISTICATION: JOB ANALYSIS AND JOB EVALUATION

Industry	Medium-Sized Companies	Large Companies
Electrical Manufacturing	76	71
Paint Manufacturing	26	53
Food Manufacturing	47	62
Meat Packing	47	35
Oil Refining	52	68
Mining	46	71
Air Transportation	35	38
Retail	9	21
Insurance	47	62
Banking	62	59
Mean for Size Group	45	54

(Note: Possible index values range from 0 to 100)

The results reveal a small difference indicating more complete coverage in the large companies than in the medium-sized (54 vs 45). The existence of the slight difference combined with the reversal of the pattern in four of the ten industries indicate that there is no essential difference which can be attributed to size.

However, we did find that the types of job evaluation systems used and the regularity of review, when looked at individually, were consistently at least equal, or occasionally higher, in the large companies. The systems of job analysis and evaluation used in large companies were more likely to achieve the benefits possible from a well-executed system than the systems used by the medium-sized companies. Results for these variables are summarized on Table 33. Although job analysis and job evaluation are among the less glamorous areas of human resource management, they do provide an important foundation for many important decisions.

Table 33

JOB EVALUATION PROCEDURES AND UPDATING

<u>Sophistication of Job</u>		<u>M</u>	<u>L</u>
<u>Evaluation Procedures:</u>	No job evaluation done	2	0
	Low	3	2
	Moderate	2	2
	High	2	4
	Variable	1	2
<u>Regularity of Review</u>			
<u>of Job Evaluations:</u>	Not done	2	0
	Only in individual cases	6	7
	For all, but irregularly	2	0
	For all, on a regular		
	basis	0	3

B. Compensation Policy

The specifics of pay policy are covered elsewhere in this report. What we are reporting here is more fundamental. The policies under which people are paid for their work are important because pay is an essential ingredient in the employment relationship. It is beyond the scope of our efforts to evaluate whether or not the policy or practice adopted by an employer is "correct". We did feel, however, that employers should be able to articulate a policy or intent with regard to the payment of their employees. The index recorded on Table 34 indicates whether an employer could indicate (a) how he attempted to position employee groups vis-à-vis the labor market, (b) whether there was a defined range of possible pay rates for a job, and (c) whether there were established criteria for moving through the range of pay rates for the job. If all three conditions were met for all employee groups, the result would be an index value of 100.0.

The results (Table 34) seem to indicate a slightly higher mean index value for the large companies. If the paint companies are excluded, with the anomalous case in the medium-sized category, the results indicated in parentheses are obtained. The level of articulation when it comes to pay policy in general seems to be reasonably uniform and high, and largely independent of size.

Table 34

INDEX: SOPHISTICATION OF COMPENSATION SYSTEM

	<u>Medium-Sized Companies</u>	<u>Large Companies</u>
Electrical Manufacturing	94	89
Paint Manufacturing	11	100
Food Manufacturing	67	83
Meat Packing	61	100
Oil Refining	94	94
Mining	78	56
Air Transportation	56	78
Retailing	78	78
Insurance	83	89
Banking	83	83
Mean for size category	70	85
(without paint manufacturing)	(77)	(83)

C. Performance Appraisal

Performance appraisal is a human resource management tool which has many possible applications. It is needed to help maintain a match between job requirements and job performance--it identifies for the employee how well he or she is doing compared to the employer's expectations. Some forms of performance appraisal also allow the manager and therefore the company to become aware of the aspirations of the employees. It can be argued that performance appraisal can be accomplished without a centralized (bureaucratic) administrative set-up. We do not dispute this possibility; however, our findings were that where there was no official program or where it had fallen into casual use, the actual implementation of performance appraisal was at best irregular. Thus, while some employers may hold that "good managers are natural appraisers," it was our assessment that the absence of a strongly promoted appraisal system generally corresponded to spotty application of performance appraisal.

Table 35 indicates the index values for the level of "sophistication" found in the performance appraisal policies and practices of the twenty companies covered in this study. A maximum value of 100.0 was possible. A high value resulted from (a) having a periodic performance appraisal system, (b) covering a large number of the employee groups identified, (c) dealing with both of the issues of salary determination and employee development and (d) applying the results of the appraisal to several areas of human resource management (pay, identifying training needs, identifying people eligible for promotion, and so forth).

There are two main results reflected in the values on Table 35. First, the overall utilization of performance appraisal by the companies in this sample is quite low. Second, there seems to be a clear indication that larger companies are more active in performance appraisal. (The insurance and banking industries reverse this pattern, although there was no explanation for this reversal.) The means entered in parentheses indicate the extent

of the difference between the two size categories excluding the insurance and banking industries.

One might argue that the smaller organizations, because of their size, have less need of a formal system, because the informal system works reasonably well. This becomes less plausible if one considers the growth rate of these companies during the past five years. If anything, there is a greater need for performance appraisal because of the need to move people to new positions as a result of growth. In fact, it is more likely that the old informal system suited to the smaller size of five years ago simply has not been updated because of other more pressing demands which accompany rapid growth.

Table 35

INDEX OF PERFORMANCE APPRAISAL SOPHISTICATION

	<u>Medium-Sized Companies</u>	<u>Large Companies</u>
Electrical Manufacturing	15	81
Paint Manufacturing	6	37
Food Processing	10	48
Meat Packing	11	10
Oil Refining	14	54
Mining	11	77
Air Transportation	7	3
Retailing	4	54
Insurance	54	12
Banking	62	38
Mean for size category	19	41
(without Insurance and Banking)	(10)	(46)

The dominant finding with respect to the large companies is that few of them would have what we would classify as fully developed performance appraisal systems and that, on the contrary, several of the companies were seemingly hostile to the idea. (It should be noted, however, that there were internal situations in these companies which explain the attitude--high-handed implementation, previous poor administration, and so forth.) The absence of effective performance appraisal systems can seriously handicap the development of employees for the employee's own achievements and for the organization's utilization of his or her capabilities.

There are natural tendencies for administrative tasks seen by managers as peripheral to their main responsibilities to be done in cursory ways. When this happens in the area of performance appraisal, the result is loss--lost effectiveness in the employee, lost work satisfaction, lost individual growth and development.

#### D. Recruiting and Selection

The staffing function of any organization (to which recruiting and selection are central) is basic to the management of human resources. We found general overall similarity in the techniques used by the large and medium-sized companies in our study. We generated a list of the most plausible recruiting selection techniques and asked the employers we interviewed which recruiting and selection techniques they used. The index values tabulated in Table 36 reflect the diversity of techniques used in recruiting and selecting new employees.

There is not a perfect correspondence between the index values and level of sophistication. A very high number (approaching the maximum 100) would probably indicate staffing policies which are as inappropriate (using a consulting psychologist to assist in the selection of a particular clerk or production worker) as a very low index value (indicating the use of very little information). In the middle range, however, it is reasonable to conclude that higher numbers reflect use of a greater range of applicant sources and a wider range of information for selection decisions.

Table 36

#### INDEX OF STAFFING SOPHISTICATION

	<u>Medium-Sized Companies</u>	<u>Large Companies</u>
Electrical Manufacturing	33	33
Paint Manufacturing	16	24
Food Processing	30	39
Meat Packing	22	34
Oil Refining	38	39
Mining	31	21
Air Transportation	16	28
Retailing	34	42
Insurance	25	22
Banking	26	32
Mean for size category	27	31

(Note: Index values can range from 0 to 100)

Although there were some departures from this pattern, the following description is not seriously misleading. The typical employer in this sample relied on unsolicited applications, placement of newspaper advertisements, and the occasional use of employment agencies to generate applicants for job vacancies. He has rarely made any attempt to evaluate systematically the results of recruiting from these different sources, although he does have definite feelings about where the best recruits come from. His selection procedures lean heavily on the application form, checking of references, and especially on the selection interview. Very few use tests, many use self-report medical checks, and external consultants or experts are used in the case of a very few management appointments. It is not justifiable

to conclude that these staffing techniques are necessarily ineffective; however, there was anecdotal information to suggest that this was true in several cases. One possible indication that there may be less than an ideal match between applicants and jobs is the high turnover experienced by firms in our sample. There are many factors which influence turnover and our data does not permit us to sort among them, but the absence of systematic evaluation of staffing results precludes ruling out inadequacies in staffing as a cause of that turnover.

#### E. System Wide Programs

The traditional definition of personnel management has frequently been in terms of the main sub-functional areas: staffing, training, compensation and benefits. Occasionally labor relations or health and safety concerns are also included.

More recently, there has been an increasing awareness that managing human resources cannot be compartmentalized as neatly as had been attempted. Such things as organizational design or the "climate" of the organization have been identified as having a significant influence on the effective utilization of people in organizations.

We asked the employers in our sample what they were doing in a programmatic way in the following five areas: (i) Management by Objectives (or "by results" or "Goal Setting and Review" or other similar programs), (ii) organizational development--the use of consultants or other experts to assist managers or work groups in overcoming people problems (communication, trust, dysfunctional conflicts), (iii) organizational design--the use of specialists to advise on setting up authority and responsibility relationships to best get the organization's tasks accomplished, (iv) job design--the structuring or restructuring of jobs for the purpose of making them more interesting, varied or challenging, and (v) worker participation in decision-making.

We assessed the extent of the company's involvement in these activities and constructed an index, which is presented in Table 37. A maximum index value of 100 signifies a significant undertaking in each of the five areas mentioned. The variation between companies is quite high with six companies (five of them in the large category) involved in what appeared to be significant programs. Only two employers indicated that formal appraisals of these system-wide programs were under way.

The implication of these results is that most employers are devoting relatively little programmatic attention to the organizational issues such as job content or the design of organizational relationships. Those activities which are taking place are centered largely in the large companies and tend to be aimed at middle and top echelons (MBO-type programs) rather than at the rank and file of the organization.

Table 37

INDEX OF SYSTEM-WIDE PROGRAM SOPHISTICATION

	<u>Medium-Sized Companies</u>	<u>Large Companies</u>
Electrical Manufacturing	8	48
Paint Manufacturing	0	56
Food Processing	60	28
Meat Packing	8	8
Oil Refining	12	48
Mining	8	28
Air Transportation	8	24
Retailing	12	20
Insurance	16	48
Banking	20	60
Mean for size category	15	37

(Note: The maximum index value is 100)

Summary

Our review of the sophistication of employment policies and practices reveals no area in which we can conclude that medium-sized employers exceed large employers. Both the indexes utilized to summarize our impressions in this section, and specific findings scattered throughout these results chapters, support the "equal or greater" position of large employers. It is important to turn this pattern back to the rationale for the study--the social impact of corporate concentration.

In some areas of the employment relationship it may be questionable to assume that what is good for the employer is good for the employee (pay rates is an obvious example). However, many of the areas we have reviewed had to do with the matching of skills with requirements or the matching of needs with rewards. Mismatches in such areas are costly to the individual, to the organization and to the larger society. Improved employment practices in these areas have the potential for increasing the satisfaction and fulfillment of the employee while assisting the organization to meet its objectives. The results of this study suggest that there is no comparative disadvantage to concentration.

The comparative results (large versus medium-sized employers) lead to the conclusion of greater sophistication in large organizations. The absolute levels of sophistication are still quite modest in areas such as staffing and system-wide programs.

THE DECISION-MAKING PROCESS  
FOR PERSONNEL POLICIES  
AND PROGRAMS

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The major part of this report deals with the substantive areas of personnel policies and programs: compensation, benefits, training, etc. It is also relevant, however, to ask questions about how these policies came to be, how they are put forward and how they are applied. These kinds of questions we have labelled the "structure and process characteristics of policy decision-making". In particular we ask:

1. By what means do companies get their ideas for new policies, or decide what old ones to change?
2. At what level of the hierarchy do these issues first get raised and worked on, and at what level do they receive final approval?
3. What is the role of the personnel specialists in the company? Are they mainly idea people or do they have final authority to decide things?
4. What amount and kind of influence do the rank and file employees have in the decision-making about policies and programs that directly affect them?
5. Finally, once a policy or program is instituted, there is the question of how it is applied to particular cases. For example, who creates the company programs for employee training is one matter, and who decides about which particular employee will be sent to the available training program is another.

1. Methods of Originating Personnel Policies and Programs

As we went through the various substantive areas of personnel policy (some 15 areas in all) we would ask our respondents how their policies had been developed. In particular we tried to record where the ideas came from and who was involved in first developing the policy proposal and then who had the effective authority to decide what it would be.

With regard to the sources of ideas it was natural that many respondents mentioned a variety of sources for their initial thoughts about how a given policy area should be developed. In some cases, the main thrust came as a result of external consultants' studies. In others the firm would delegate a person or group to carry out a formal survey of internal opinions and/or the practices or approaches in use outside the company. On a less formal basis those responsible for the area would simply hear about practices elsewhere (from colleagues, or in trade or other publications) or realize as a result of trial and error experience within the company that a certain kind of improvement was necessary. We scored these four dominant approaches along a "Scale of Elaborateness and Depth". The more a firm resorted to formal studies, surveys, internal task forces or external consultants as

opposed to informal-hearing-about or trial-and-error experience as the basis for their ideas for personnel policies and programs, the higher they would score on the scale. Table 38 shows the results of this scaling process. The numbers in the scale represent the proportion of the highest possible score which could be achieved across 15 policy areas. A score between 75-100 indicates a predominant tendency to use elaborate in-depth approaches to policy formulation; while between 50-75 suggests that such approaches are used only occasionally, between 25-50 indicates they are used rarely if at all.

Table 38

METHODS FOR ORIGINATING PERSONNEL POLICIES AND PROGRAMS

	<u>Mean Score for Category</u>
Medium-sized companies	40
Large-sized companies	52
Grand mean	46

(Note: The higher the score, the more elaborate and deep the approach to policy development)

It can be seen from Table 38 that across all companies there is a generally low tendency to engage in elaborate approaches to policy formulation (Mean score 46). Most efforts are based on what others in the company report about past experience, coupled with whatever those responsible for the areas pick up informally outside the company. Large companies, with a mean score of 52, are somewhat more likely to use elaborate and in-depth policy setting methods than medium-sized (mean score 40).

By far the most common policy areas using in-depth methods were compensation policies and benefit plans. Both of these were constantly being compared to the results of formal surveys of practice in other companies. Such surveys often also include information on hours of work and time off and various miscellaneous services such as transfer cost reimbursement policies, education tuition refund programs, etc. Of the remaining areas, we found large companies more likely to use consultants to evaluate the adequacy of their job evaluation systems, performance appraisal systems, selection methods and training programs. Even so the frequency was rather low.

## 2. Roles in Policy Formulation and Approval

We basically assumed that policies and programs are formal in two stages. In the first stage information is gathered, ideas generated and alternatives developed. In the second stage, some individual or group possesses the operative authority to decide which alternative will be implemented. Other persons at higher levels may legally or officially have the right to review and change that decision but in actual fact this right is very rarely used, hence the term "operative" authority.

### Policy Formulation

Regarding the first or formulation phase for the 15 areas of personnel policies and programs, we investigated the level at which the formulation took place and what role was played in it by personnel specialists.

Table 39 shows the proportion of the potential high score for each company over the 15 policy areas. Scores of 75 would occur if all 15 areas were decided at the level of the Canadian Head Office. Above 75 indicates that a Non-Canadian (usually U.S.) Corporate Head Office was having a significant influence. Scores below 50 indicate predominant influence at the level of plant, branch or division.

It can be seen that, over all 20 companies, most policy formulation activities occurred at the level of the Canadian Head Office (Mean: 66). In this instance there was virtually no difference between the large and medium-sized firms. Though we might expect the very large companies to be decentralized in their policy formulation activities in fact they were not. Both banks decided virtually everything at head office, as did the large food company and large department store and insurance company. The medium-sized oil company was the only one to show a high dominance by its foreign head office. This is not as subservient a position as might first be imagined however, since this firm was unique in utilizing a large number of Canadians in its International Head Office level.

Table 40 shows what kind of policy formulation role was played by the personnel specialists in our sample of companies. The roles were scored 1 = All generalists; 2 = Mostly generalists; 3 = Equal contribution; 4 = Mostly specialists; 5 = All specialists. The scale in Table 40 is arrived at by adding the scores over the 15 policy areas and dividing this by the highest potential score ( $5 \times 15 = 75$ ). The higher the score the greater the influence of specialists.

It can be seen from Table 40 that specialists were only moderately influential on average across all companies. The mean score of 62% suggests an average score of three ("equal contribution"). Large firms, however, were about 10% more likely to utilize their personnel specialists in policy formulation. This was especially the case in food, oil, insurance, banks and retail companies. As might be expected, specialist influence was heaviest in the areas of recruitment and selection, benefit plans, compensation, performance appraisal and training programs.

Table 39

LEVEL OF HIERARCHY AT WHICH POLICY FORMULATION OCCURS

	<u>Medium-Sized Companies</u>	<u>Large Companies</u>	<u>Industry Mean</u>
Electrical Manufacturing	65	69	67
Paint Manufacturing	70	49	59
Packaged Food Manufacturing	56	73	65
Meat Packaging	66	62	64
Oil Refining	91	65	78
Mining	49	60	54
Airline	54	54	54
Retail-- Non-Food	70	73	72
Insurance	71	71	71
Banking	75	75	75
Mean For Size Category	67	65	Grand Mean 66

**Table 40****EXTENT OF SPECIALIST INFLUENCE ON POLICY FORMULATION**

	<u>Medium-Sized Companies</u>	<u>Large Companies</u>	<u>Industry Mean</u>
Electrical Manufacturing	59	62	61
Paint Manufacturing	20	63	41
Packaged Food Manufacturing	64	83	73
Meat Packaging	74	64	69
Oil Refining	70	73	72
Mining	41	38	39
Airline	41	56	48
Retail-- Non-Food	64	73	68
Insurance	66	79	72
Banking	68	80	74
Mean For Size Category	57	67	Grand 62 Mean

## Policy Approval

When it comes to the point at which policy is approved (as opposed to being formulated) the picture is much the same only "more so". The level of hierarchy is somewhat higher and the role of specialists somewhat less. Tables 41 and 42 show these results. The scores in them are derived the same way as in Table 39 and 40.

Again the corporate head office is where the great majority of policy is finally approved. In spite of this a word should be said here about the role of non-Canadian headquarters in personnel policy decision-making. Nine of the twenty companies we visited were foreign-owned and seven of these owners were U.S. based (the other two were British). It interested us to try to learn what role the foreign head office played. At one extreme was the previously mentioned medium-sized oil company whose U.S. head office was active in both formulation and approval stages in many areas. At the other was one of the British-owned companies which did little more than keep a watching brief over the general financial performance of its Canadian operation. Personnel specialists and line executives decided all the personnel policies and programs on their own.

Between these extremes were moderately high and moderately low positions. In the moderately high dependent position the foreign head offices would make definite efforts to inform its Canadian subsidiary of all its activities in the personnel area and in turn would ask the Canadian operations to report on their activities. Programs entailing major expenditures in money or radical departures from U.S. practice, for example in the area of benefit plans, would have to be submitted for formal review and approval. On rare occasions they might be rejected.

The moderately low dependent position involved using the foreign head office as a consultant and source of ideas. In these cases Canadian personnel specialists would visit their U.S. counterparts and ask their advice on certain matters. There appeared to be no obligation to accept any of the advice given and no need to have the eventual policies reviewed by the U.S. head office.

In our wholly subjective estimation one of over nine foreign-owned companies was in the extremely dependent position; one in the extremely independent position; three in the moderately dependent position and four in the moderately independent position.

With regard to the role of specialists in policy approval, their influence sinks from an average score of 62 for policy formation to 37 reflecting their status as staff people whose role it is to advise what to do, not decide on it themselves. Again, however, their influence in the large companies is slightly greater on average (about 6%). The most common arrangement in most large companies was to have one or more management committees set up the review proposals on personnel policies. Such committees would be comprised largely of line managers from the upper levels of the company. In smaller companies the committee could be one man, or its work could simply be part of an executive committee with many

Table 41

LEVEL OF HIERARCHY AT WHICH POLICY APPROVAL OCCURS

	<u>Medium-Sized Companies</u>	<u>Large Companies</u>	<u>Industry Mean</u>
Electrical Manufacturing	65	74	70
Paint Manufacturing	74	72	73
Packaged Food Manufacturing	54	70	62
Meat Packaging	69	65	67
Oil Refining	91	62	76
Mining	57	74	66
Airline	68	71	69
Retail-- Non-Food	70	65	68
Insurance	72	75	74
Banking	74	75	75
Mean For Size Category	69	71	Grand 70 Mean

Table 42

EXTENT OF SPECIALIST INFLUENCE ON POLICY APPROVAL

	<u>Medium-Sized Companies</u>	<u>Large Companies</u>	<u>Industry Mean</u>
Electrical Manufacturing	24	57	40
Paint Manufacturing	26	27	26
Packaged Food Manufacturing	40	22	31
Meat Packaging	34	29	31
Oil Refining	43	43	43
Mining	38	29	33
Airline	40	59	49
Retail-- Non-Food	17	29	23
Insurance	41	51	46
Banking	41	57	44
Mean For Size Category	34	40	Grand Mean 37

diverse responsibilities. In any case, in all companies virtually any policy which involved significant expenditure of money or the working time of employees and managers would receive close scrutiny by the employee relations committee or its equivalent at top management. Once the committee "passed" a proposal it might officially have to be approved by higher level executives or the Board of Directors but this was largely a formality.

### 3. Decisions on Individual Cases

Whenever it was appropriate the study would ask about how policies were applied to specific individual cases in an effort to see how much the implementation of them was decentralized. In general it was found that most matters were handled by superiors two levels beyond the rank and file reflecting a rather low level of authority held by foremen and first line supervisors. There was no difference between the large and medium firms, though in the Electrical, Food, Retail, Banking and Oil Industries both companies required more individual cases to be decided higher than the other industries.

The role of specialists in decisions about individuals was limited largely to matters such as eligibility for certain benefits under the companies' plans. They would also act in something of a watchdog role to make sure supervisors applied discipline correctly or carried out performance appraisal according to plan. In the realm of employee selection they would often narrow down the choice to one or two for the lower level jobs but the line managers made the final decisions. In general, however, the influence of personnel specialists on individual cases was quite low and there was, again, no difference between large and medium-sized companies.

### 4. Employee Influence on Decision-Making

In the previous section on employee motivation it was pointed out that the opportunity for an employee to influence matters which affect him or her creates the potential for the intrinsic form of motivation in the work setting. It was also noted that the firms in our sample showed very few formal policies or programs which encouraged substantial amounts of direct upward employee influence. There were three cases in which professionally developed and analyzed employee attitude surveys were conducted on a regular basis (both oil companies and the large bank). At the individual job level we found two cases in which efforts had been made at job enrichment in giving more responsibility and authority.

There is one final aspect to the question of the individual employee's upward influence on decision-making; that is his or her right to appeal against decisions which the employee considers to be unjust. In unionized firms this right is embodied in the grievance procedure which is part of the collective agreement. While it is normally restricted to issues based on the application of the agreement it nevertheless ensures that the individual employee can get a full and fair hearing for his complaints and ultimately have them adjudicated by an impartial arbitrator. The question is, do companies provide a similar appeal system for their non-unionized employees? The answer is that they do not. Informally, or as a matter of standard practice, many of our respondents maintained that an

employee is free to carry a complaint as high "as the president of the company" if he desired it. In only three cases however was an appeal procedure for non-union employees actually written down (two in large companies, one in medium). In none of these was any provision made for the aggrieved employee to have a spokesman to assist him or represent him nor was there any case in which provision was made for an independent third party to arbitrate in the event that no satisfactory resolution of the grievance could be reached.

In addition to means by which the individual employee can directly influence decision-making on policy matters, there are ways that he may have an indirect influence. These mainly involve being represented by another person who speaks for a group of employee constituents. For example, in three cases in our study the management sponsored and encouraged employee councils in lieu of unions as means for learning of employee concerns and as vehicles for downward communication (the large bank, the large oil company and the small retail chain). Only the large oil company encouraged a process akin to collective bargaining, however: the others treated the councils as informational devices only. In no case was there anything like the depth and breadth of organization and influence found in representational bodies and devices in many European firms today.

By far the most common form of employee influence on decision-making in the personnel area was via the traditional North American vehicle of labor union representation. Fifteen of our 20 companies had union representation for some of their non-supervisory work force. Traditionally unions have bargained with management on a rather narrowly defined range of issues: matters of wage rates, benefit plans, hours of work, mobility issues (promotion, transfer, etc.), disciplinary procedures and grievance procedures. For all practical purposes one can take the questions arising out of these areas as a common base in almost all companies. The interesting aspect from the point of view of employee influence on decision-making is the extent to which union representatives and employers talk about non-traditional issues. We tried to learn about this in two ways.

As we covered the 15 areas of personnel policies and programs we would ask what the union's role was in formulating and approving the policy decisions on these matters. Some seven of the 15 areas we asked about were in the realm of traditional collective bargaining: compensation, incentive plans, promotion/lay-off/termination, benefit plans, miscellaneous benefits and services, hours of work and discipline. The remainder were outside these traditional concerns. Firms which admitted to union influence in any of these remaining areas were considered as going beyond the traditional. In fact, however, only five of the 15 unionized firms did go beyond the old standbys of union-management negotiation: three middle-sized and two large.

On another occasion, at the end of our interview, we would ask a specific question regarding non-traditional areas of discussion between union and management. We asked if there was ever any informal discussion (scored '2') or actual bargaining (scored '3') over the following ten issues:

technological change (nature, extent, timing); specific job content after technical or other changes; methods by which work will be done; safety equipment; work study methods; job evaluation methods; introduction of new products or services; plant location; performance appraisal; financial condition of the firm. If a firm allowed collective bargaining to occur in all ten of these areas it would score a total of 30. If it allowed informal discussion to occur in all it would score 20. As it turned out the average score for medium-sized firms was about seven and for large firms was about nine. Both suggest a very low tendency to utilize even informal discussion on non-traditional matters. Among the issues listed those having to do with safety equipment, job evaluation methods and work study methods were the most common subjects of discussion with the union. The nature of informal discussion in most cases was based on meetings between individual union officials and personnel specialists and in two cases we were told of regular, formal meetings between union and management officials to discuss matters of general concern: not specific employee grievances and not matters that would be part of the normal bargaining process. In any case the substance and amount of union management interaction lags far behind that in Europe, where managements engage in a considerable amount of discussion with union representatives prior to making decisions on a large proportion of the ten "non-traditional" issues noted above.

#### Summary

The decision-making process with regard to most personnel policies and programs tends to occur quite high up in the management hierarchy (at Corporate Head Office level) in both large or middle-sized companies. Specialists in personnel administration are relatively active in formulating policy recommendations, especially in large companies, but have little explicit authority in the final approval process.

Practically all forms of employee influence on decision-making in this area are low. There is little of an official nature that encourages upward communication, little attempt to increase individual job discretion via job enrichment, and only 3 out of 20 instances where some formal system of appeals is provided for non-unionized employees with complaints or grievances. Indirectly there are a couple of employee councils used as vehicles for upward communication of employee feelings but without any share in authority. In unionized situations (15 out of 20 have them) their role is highly traditional, being restricted to negotiations over traditional issues of wages, hours and conditions of work. Very little attempt is made at interaction on matters other than grievances or contract negotiations.

#### CHARACTERISTICS OF MANAGEMENT

Few thoughtful observers would dispute the assertion that top management is very influential in setting the tone or climate of the organization they head. Since these people are very influential, we requested background information both on top management individuals and on the human resource specialists. We received information from 18 of 20 companies in our study, 13 of them providing information on both top management and personnel specialists, one which provided information on only the personnel specialists and four which provided information on top management only (See Table 43).

Top management was defined to be the president (or the operational equivalent), the management personnel who reported to the president, and their subordinate managers - the top three levels, in other words. The definition of personnel specialists was left to the companies and consisted primarily of corporate level personnel department employees (excluding clerical staff) a few from branch plants or regional offices. They include "all around" personnel managers as well as specialists in specific areas such as benefit, training, labor relations, compensation, etc.

The total number of management personnel on whom background information was received was 699. Of this total, 483 were top management and 216 personnel specialists. There was no way of identifying precisely what percentage of the target group this represents, although it is estimated to be more than two thirds of it. The profile of these managers, detailed below, is based on varying numbers of managers since some did not provide complete information.

Table 43

SOURCES OF DATA ON MANAGEMENT PERSONNEL

<u>Industry</u>	<u>Medium-Sized Companies</u>		<u>Large Companies</u>	
	<u>TM</u>	<u>PS</u>	<u>TM</u>	<u>PS</u>
Electrical Manufacturing	X	X	X	X
Paint Manufacturing	X	O	X	X
Food Processing	X	O	X	O
Meat Packing	X	X	O	O
Oil Refining	X	X	X	X
Mining	O	X	X	X
Air Transportation	X	O	X	X
Retailing	X	X	X	X
Insurance	X	X	X	X
Banking	O	O	X	X

Note: TM - Top Management, PS - Personnel Specialists, X - data supplied,  
O - no data supplied

In addition to the background characteristics of the upper management group in our sample, we also include, for comparative purposes, information on Canada's "corporate élite" a term used by W. Clement<sup>25</sup> to characterize the 946 members of Boards of Directors of the 113 most dominant (in Clement's judgment) Canadian corporations. Since most Boards of Directors include the companies' presidents and may include some of those who report to these Chief Executive Officers, his sample and ours overlap somewhat, but in general it can be said that Clement's sample is at a higher level in the economic status hierarchy than ours.

The backgrounds of upper management revealed in Table 44 is interesting in several respects. For example, in terms of age, average number of years with present employer and average number of years in present job, the averages in both middle-sized and large firms are virtually identical. Both (managers in the two size groups) are about 48 years old, have been about 20 years with the same company and in their present jobs about 3½ years.

There are very few women in upper management in spite of recent campaigns to increase that number. We found seven in our group of 483 while Clement with data from about 1971 found six in his group of 946. The larger companies in our sample had a slightly higher proportion of women (2.1%) than smaller (.5%) though six of our total of seven were located at the lowest rung of the top three levels we asked about. In terms of distribution one large company had four women top executives, another large company had two and one medium company had one woman. Upper management is still very much a male preserve in most companies.

On the other hand women were more frequently found in personnel work. Among medium-sized companies 31% of the personnel specialists were women as opposed to 11% women in large companies. The bulk of the difference in favor of medium-sized companies in this case was due to a very large number of women (10) reported by the insurance company in this category. If this anomaly is removed medium and large are about the same.

The background information forms asked for the name of the individuals being included in our survey of management personnel. We categorized the surnames of these people as to their apparent ethnic origin. It is realized that this is not a precise technique for identifying the ethnic origins of a group of people. Judgments can be incorrect; names can be changed by immigrants to a new country; intermarriage can blur ethnic backgrounds. The data we have is best interpreted for its general pattern. We found that about 84% of all names in upper management appeared to be Anglo-Saxon in origin.

The large companies contained slightly more "Anglo" names (86.6%) a figure strikingly similar to the 86% of Clement's sample of the élite which he found (by more precise methods) to be Anglo-Saxon in origin.

On the other hand, our middle-sized companies contained more people with French names (6.3% as against 2.8%) though in total our companies had somewhat fewer than Clement's élite (8.4%). In all cases, of course, those of French origin were drastically underrepresented when compared to their proportion in the total population of Canada.

The same holds true for those of other ethnic origins. In this case, however, persons with Northern European names and those with names from Southern Europe, Asia, Africa, South American, plus Jewish (grouped as "Other" in Table 44) are better represented in our sample than in Clement's (12% in middle-sized firms, 10.8% in large and 5% in Clement's).

Table 44

## CHARACTERISTICS OF UPPER MANAGEMENT PERSONNEL

	Medium-Sized Firms (N = Approx 196*)	Large-Sized Firms (N = Approx 287*)	Clement's "Elite" (N = Approx 946*)
Mean Age	47.5	48.6	(NA)
Mean Years in Company	20.1	19.7	(NA)
Mean Years in Present Position	3.8	3.4	(NA)
% whose 3 prior posi- tions were in present company	70	74	(NA)
% women	.5	2.1	.06
Ethnicity (Estimated)			
Anglo-Saxon	81.6%	86.6%	86%
French	6.3	2.8	8.4
"Northern European"	8.4	5.7	} - 5
Other	3.6	5.1	
Origin (locale of ed- ucation up to High School)			
Canadian	86 %	81 %	71 % (Canada Born)
U.S.	3.8)	6.5)	} - 29
U.K.	8.3)-14	8.3)-19	
Other Europe	1.3)	1.8)	
Other	-	2.3)	
High School			
Public	83.1%	84.7%	60.2%
Private (Religion)	6.8)	6.4)	39.8
Private Other	10.1)16.9	8.9)15.3	
Post Secondary Education			
None	36.5%	6.0%	15.5%
Some but no designation	9	7.5	80.5
Other post. sec. certi- fication(R.I.A. C.A. etc.)	6.7	9.8	.04
Bachelors Degree	37.8	76.5	80.5
Post Grad.	8.3	26.3	42
Regional Origins of Canadian Research: **			
West	40.2%	24.8%	23 %
Central	51.5	71.3	68
East	8.3	3.9	9
Size of Community in which grew up: **			
Small	12.6%	13.0%	(N.A.)
Town or Small City	31.6	22.9	
Large City	55.7	64.0	

\* Numbers on which proportions are based vary for various items.

\*\* Location classified on the basis of the location of the secondary school attended.

When one looks at country of origin there are again some interesting differences. In our case we inferred country of origin from a question which asked where the respondent went to high school. Again Clement had more direct data. Be that as it may, our sample is some 10-12% more Canadian than Clement's: (86% Canadian in medium companies, 81% in large and 71% Canadian born in Clement's *élite*). The largest "immigrant" group in our sample was the British (8.3%) and the American a close second especially in the large companies. Other European and "other" groups are only minimally represented in all companies.

There are various possible explanations for the "underrepresentation" of non-Anglo-Saxons and people from non-English speaking countries in top management. For example, the education often required and the time-consuming period necessary to achieve promotion to the top makes it less likely that recent immigrants will be found at the top of the larger companies. Also, (and as Clement points out) the educational system has streaming effects on students which results in some groups (usually those from lower economic backgrounds where the majority of immigrants are found) not having the kind of preparations needed for managerial careers. There is also a multitude of cultural and economic factors which influence the aspirations and expectations of individuals--some toward managerial careers and others away from them. A combination of the above forces may account for the pattern we found. Certainly they contribute a great deal to it. Yet it is also quite probable that the patterns observed here may be based on the preferences and beliefs of decision-makers in organizations who most influence selection and promotion decisions. In spite of the many indications of a desire to emphasize merit, the judgment of merit can easily be coloured by irrelevant criteria based on unconscious prejudice especially when selection methods are few, simple and rarely evaluated as was the case in most of our sample. There is no direct way of determining the existence or extent of ethnic bias, of course. None of the employers in this study stated or implied any deliberate use of such criteria. To the degree that it exists, it is much more the result of values held by people in the larger society than it is the function of particular employers' postures.

Turning to the educational backgrounds of our sample, further interesting differences emerge. For example, in Clement's *élite* some 40% attended private schools whereas in our sample it was around 15% and of that just under half went to parochial schools. There was no significant differences between large and medium firms in this regard.

The major difference occurs in the realm of post-secondary education. Clearly someone without a university degree or other educational designation (such as C.A., R.I.A., C.G.A., etc.) has (or had) a much better chance of getting to the top in middle-sized companies than large. 36.5% of the top people in medium-sized had no post-secondary education of any kind as opposed to only 6% in the large firms and 15.5% in Clement's *élite*. Conversely 80.5% of Clement's group went to university, 76.5% of our large company group did and only 37.8% of the medium companies did. Interestingly Clement doesn't specify whether his 80.5% includes those with post-secondary education designations other than those acquired at university. In our

sample an additional 6.7% of the large and 9.8% of the medium have this type of education. We also found a significant minority (9% and 7.5%) who attempted some post-secondary education but dropped out before finishing. Taking all these three groups as a group who had some exposure to post-secondary education of some kind it amounts to 94% of the top executives in the biggest businesses which is considerably higher than the 80% in Clement's élite. Conversely they total only 54% of our medium-sized sample.

In the matter of post-graduate education, however, the executives in neither of our two groups can compare with Clement's élite. He found 42% of his sample had some kind of post-graduate degree while only 26.3% of those in our large companies and 8.3% of those in our medium companies did.

Finally, in addition to educational backgrounds, we obtained some information on the regional origins of the Canadians in our sample (at least those who went to high school in Canada) and the size of the communities in which they went to school. Regionally, the executives in our large companies are not that dissimilar to Clement's élite: 71.3% of those responding were from Ontario and Quebec (mostly the former) while 68% of Clement's group was from there. There were slightly more Westerners, 24.8% versus 23%, slightly fewer Maritimers (3.9% versus 9%). Again, it was the executives from medium-sized companies who differed from the rest, showing many more Westerners and Maritimers at the "expense" of central Canadians. This is probably due primarily to the distribution of our sample, as the medium-sized companies contained three which were headquartered in the West, and one headquartered in the Maritimes. Many of the large companies had big operations in the West but only one was based there and none were based in the Maritimes.

Finally, one can look at the size of community in which the numbers of our sample grow up. Almost 10% more of the large-firm executives were "big city boys" than those in medium-sized companies (64% versus 55.7%).

### Summary

In general the members of top operating management in our firms tended to be middle-aged (48 years) male (all but 7) and of Anglo-Saxon origin. In the latter two respects they are the same as Clement's élite company directors. Medium companies contain more Canadians than large and both contain more than Clement's sample (86%, 81%, and 71% respectively). Our executives went to public high school in 84% of the cases while only 60% of the "élite" did. On the other hand those in our big companies were most likely to have obtained some post-secondary education. Clement's élite were next most likely and medium-firm executives least likely (94% versus 80% versus 54%).

It would be erroneous to blindly equate education with sophistication and expertise in the case of two individuals; but when the samples compared are as large as they are, and when the educational differences are as wide, it would be surprising if there were no correlation between education, on one hand, and management sophistication and expertise on the other.

The medium-sized companies may find that increasing size will stretch their managerial capacities quite thin. Such limitations are comparatively less for the large companies. One factor which may in fact accentuate further concentration of industry is the background of the management group in the medium-sized companies.

#### FORMALIZATION OF PERSONNEL

##### POLICIES AND PROGRAMS

Once decisions on personnel policies have been made there remains the question of how they are promulgated and implemented. We called this the degree of formalism in personnel administration. We enquired as to whether policies were written down or remained as oral understandings, and whether they were adhered to quite strictly or whether in fact there was deviation which was tolerated in certain parts of the organization. With each of the 15 policy areas we asked about we attempted to find out if the policy was written and given general distribution. We also tried to ascertain, especially from our interviews with operating line managers, whether the policy was in fact being implemented as written or not.

From this information we construct a 5-point scale in which a score of '5' was assigned to an area which had written policy and, as far as we could tell, very little or no deviation; '4' for cases with written policy but a little more deviation now and then or here and there; '3' for cases where nothing was written for general distribution but a highly consistent standard practice was observed; '2' for cases with written policy but high amounts of deviation, and '0' for cases in which no policy seemed to exist and each unit of the organization developed its own practice. Over the 15 personnel policy areas we asked about, a company with the highest formalism score of 5 could be given an overall score of 75. The index value given to a particular company indicates the percentage of that maximum score which was actually achieved.

The results of the admittedly subjective scoring of our sample of companies in terms of the degree of formalism in their personnel policies and programs is seen in Table 45. In general it appears as though all our firms were not too highly formalistic, the mean score being 69% of the potential high score of 75. This is somewhere over an average '3' score in which there is not too much in the way of policies written for general distribution but a good uniform understanding of what is expected in any case and little deviation from this expectation. Large firms were about 8% more formalistic than medium-sized, their mean score of 73% suggesting something approaching the situation of having quite a bit written down but some individual variation in how uniformly it was implemented in practice. The most formalized companies (80% of potential or over) were both banks, the large retail chains, the large petroleum company and the large food processing company. The least formalized (under 50% of potential) were the medium mining company, medium paint company and medium airline. Significantly the most formal were among the largest of the large (over 12,000 employees) with one exception, and the least formal were among the smallest of the mediums (under 1,000 employees except for the mine with 3,000 employees). As noted in our earlier review of the literature,

**Table 45**

**DEGREE OF FORMALISM IN THE PROMULGATION AND IMPLEMENTATION  
OF PERSONNEL POLICIES AND PROGRAMMES**

	<u>Medium-Sized Companies</u>	<u>Large Companies</u>	<u>Industry Mean</u>
Electrical Manufacturing	76%	75%	75%
Paint Manufacturing	47%	72%	59%
Packaged Food Manufacturing	73%	81%	77%
Meat Packaging	67%	59%	63%
Oil Refining	72%	83%	77%
Mining	43%	64%	53%
Airline	47%	48%	47%
Retail-- Non-Food	65%	84%	75%
Insurance	77%	71%	74%
Banking	80%	95%	87%
Mean For Size Category	65%	73%	Grand Mean 69%

increasing size is usually accompanied by increasing levels of formalization though not in a strict and inevitable linear pattern.

#### DOWNWARD COMMUNICATIONS

Decades of research has established that a major influence on job satisfaction and effectiveness is the amount and kind of information people receive about themselves, their job, their employer, his specific policies and actions. People need to receive timely, relevant, clear and full information on matters which concern them. When changes are planned, delays in communicating them and failure to explain reasons for them promote rumor which usually emphasizes the worst. An absence of, or breakdown, in downward communication can create hardship and inequity among employees, ultimately with an impact on their motivation.

The study examined how well the companies communicated these policies and programs. For each of 13 areas respondents were asked whether any form of explicit official communication other than simple word of mouth from superior to subordinate was attempted (for example, special booklets, bulletins, memos, training courses, formal meetings). We also recorded which means of communication were used. The total number of matters on which official communications of some sort occurred was defined as the scope or extent of downward communication. The number of different forms or channels of communication used for any given matter was taken as a measure of the intensity of downward communication. For example, a change in pension plan benefits might be communicated by a special pamphlet sent to all employees, or that plus meetings with supervisors plus articles in the company newspaper. Clearly the latter communications effort is more intense than the former.

The communication of the 13 policy/program areas were studied: job evaluation system; compensation policies; incentive plans; performance appraisal system; policies on promotion, transfer, termination; training and development programs; "system-wide" programs such as M.B.O., job enrichment, organizational development; benefit plans; miscellaneous benefits and services; counselling services; time on and off work (meetings, holidays, breaks, etc.), control and discipline policies.

Table 46 shows the scope of the official downward communications found in our sample of companies. The numbers refer to the percentage of the total potential amount of such communication which a firm might engage in; the potential being the 13 policy/program areas just mentioned. Thus "64%" means the companies said they engaged in some form of explicit, official communication in about 8 of the 13 areas. The higher the number, the wider the scope of downward communication.

As can be seen, large companies have some kind of official downward communications on about 10% more issues than medium-sized. All companies on average communicate officially on only about half of the 13 areas we asked about--not as high as one might expect given the aforementioned research on the benefits of communications.

Table 46

## SCOPE OF OFFICIAL DOWNWARD COMMUNICATION

## OVER 13 POLICY PROGRAM AREAS

Companies	Medium-Sized Companies N =13	Large Companies N =13	Industry Mean
Electrical Manufacturing	64%	26%	45%
Paint Manufacturing	19	67	43
Food Manufacturing	59	74	67
Meat Packing	33	26	29
Petroleum	82	87	85
Mining	18	77	47
Air Transportation	18	44	31
Retail	51	46	49
Insurance	69	44	56
Banking	72	79	76
Mean percentage for size category			Grand Mean
N = 10 x 13 = 130:	47	57	53

On the other hand, it is notable what wide variation there is from company to company, from both companies in the petroleum industry (over 80%) at the top, through the two banks and the large mining and food manufacturing company (in the 70%'s), to below 30% in both meat packing companies, the large electrical company and the medium paint, mining and airline companies. We could see no obvious way to explain these inter-industry differences.

Turning to the intensity of communications, we constructed a scale for its measurement, the results of which are shown in Table 47. When our respondents told us how they communicated information on various topics, we scored them in terms of the number of channels used: '0' for nothing; '1' for information on demand only; '2' for "brief notice" (one "telling" via public announcement, bulletin board, memo, article in paper, etc.) and a '4' for all efforts beyond "brief notice" involving two or more channels of communication being used. When these scores were applied over all 13 areas asked about it meant a company could score as high as 52 (13 x 4) or as low as 0. The numbers in the table represent the percentage of the highest potential that each company scored. The higher the number the more intense were their downward communications efforts.

Over all companies, the mean intensity score was lower by some 14% than the score for scope of communications, indicating that less effort is given to the breadth of dissemination of information than to the number of matters to be communicated. Again the larger companies are slightly more intensive (8%) in their communications efforts than the medium-sized ones. The large petroleum, mining and food manufacturing companies are the least intensive, with scores under 30.

Table 47

INTENSITY OF OFFICIAL DOWNWARD COMMUNICATION OVER

13 POLICY/PROGRAM AREAS IN PERSONNEL ADMINISTRATION

<u>Companies</u>	<u>Medium-Sized Companies N =52</u>	<u>Large Companies N =52</u>	<u>Industry Mean N =104</u>
Electrical Manufacturing	46	46	46
Paint Manufacturing	19	33	26
Food Manufacturing	46	59	53
Meat Packing	26	18	22
Petroleum	44	67	55
Mining	28	62	45
Air Transportation	13	14	13
Retail	38	38	38
Insurance	54	39	46
Banking	38	49	44
Mean percentage for size category			Grand Mean
N = 10 x 52 = 520:	35	43	39

If one looks at which of the 13 areas of personnel policy and practice are communicated about most, some interesting results emerge. The most heavily communicated area is that of benefit plans. Sixteen companies score a '4' for major effort. Most of these companies have elaborate booklets and brochures on their plans and heavily publicize any changes which occur in their company newspapers as well as by memo. They are also often reviewed in orientation and management training programs. Matters of time off were heavily publicized in 10 of our 20 companies and what we called "miscellaneous services and benefits" were well publicized in 8 of the 20 companies. Least well communicated were the companies' overall policies on compensation and their systems of job evaluation. Eleven companies said nothing and gave information only on demand or by means of a brief notice. The objectives and methods of performance appraisal was another poorly communicated subject (eight had nothing; six had minimal efforts); as were policies concerning how promotions are made, what training is offered and why, what counselling was available from personnel specialists and what the disciplinary procedures were for various violations.

As one further check on the scope and intensity of downward communications we asked the companies in our sample to submit examples of their regular written communications media given to all or substantial segments of their employees. We found ten types of these in all: company-wide house organs, plant-wide house organs, special publications for management, benefit plan booklets, annual statements of benefits received by each individual employee, bulletin board announcements, home mailings, employee handbooks covering all major personnel policies and other matters, company annual reports sent to employees, and personnel policy manuals for operating managers.

Calculating how many companies used each of these ten possible media it again appeared as though large companies communicated more, in an official way at least, than medium-sized. On average they used 54% of the ten media as against 37% for medium companies, a difference of 17%.

By far the most common medium found was the company paper or magazine. All ten of the large companies and eight of the small companies had one or more of them. Oddly enough comprehensive personnel handbooks for employees were more common in medium-sized firms. We received samples from seven of them and only five from large companies. On the other hand relatively sophisticated devices like individualized statements of benefits received from all benefit plans were found in only two medium companies and four large ones. A policy manual which brings together all personnel policies is the sort of bureaucratic tool that one might expect to find more commonly in large, widely dispersed organizations and indeed this proved to be the case. Only one medium-sized firm provided one for their managers while five of the large companies did.

### Summary

Considering all the indicators of the amount and kind of formal or official downward communications utilized by our sample of companies it appears as though more is done by the large companies: about 10% wider scope, 8% greater intensity, and 17% more types of written media used. This is one of the few cases where existing research on the effects of organization size would predict the result. Increasing size makes it increasingly difficult to communicate by simple word of mouth. The information must pass through too many hands and in the process can become distorted. As a result the organization must resort to written means and repeat its messages in several different forms to ensure they are received and understood.



## Chapter 8

### CONCLUSIONS AND IMPLICATIONS

This chapter summarizes some of the main findings of this study and explores some of the implications of those findings. Before proceeding with that summary, it may be valuable to briefly review the limitations of the study which has been undertaken.

The bulk of our information concerns formal or official policies and well established practices in the area of human resource management. The information has been derived from interviews and questionnaires, with particular reliance on interviews with personnel specialists. A result of this methodology is the possibility of error based on: incomplete knowledge on the part of the person being interviewed; that person's unwillingness to respond fully to questions; inaccuracies in recording or interpreting answers on the part of the investigator. The research design did attempt to cross-check certain results by interviewing line managers and union personnel on some issues, but these checks cannot ensure complete accuracy.

The other caveat which deserves mention is that it was not within the scope of this investigation to identify the effects of personnel policies and practices. There are some data which are relevant to this question which will be discussed below. But there are no empirical grounds in this study for claiming that more or less training (as an example) will have any effect on performance or employee happiness or other outcomes of interest. It is not possible to categorically claim that previous research has demonstrated that having certain programs or policies causes certain results. Cause and effect relationships are elusive. The gist of previous research is that certain practices such as training, use of merit criteria and attempts to tap intrinsic motivation may lead to desired behavior on the part of employees if certain other conditions exist.

While there are clearly reasons to be cautious in the interpretation of the results of the study, there are some useful conclusions which can be drawn. The first area is in the delineation of differences in employment practices between large companies in Canada and their medium-sized counterparts. These differences provide some useful insights into what it is like to work for one size of employer as compared with one of substantially different size. Secondly, there are useful conclusions which apply to what it is like to work in companies of greater size than 500 employees; one of the most interesting patterns we found was a striking similarity between medium-sized and large companies in many areas of human resource policy and practice.

#### DIFFERENCES BETWEEN LARGE AND MEDIUM-SIZED FIRMS

The following conclusions seem warranted, based on the results presented in Chapters 3 - 7.

1. Attempts to match human resources with organizational requirements were similar in the areas of recruiting and selecting new employees. Large employers tended to use slightly more diverse sources of applicants, but the large and medium-sized employers emphasized similar techniques for selecting

among applicants. Large companies were considerably more active in providing formal training and development opportunities to employees, both with respect to in-house training and also with respect to external training courses. Manpower planning was not fully developed in any of the companies included in this study; however, it was much more formalized and explicit in the larger companies than in the medium-sized companies (where it was essentially non-existent).

2. Those policy areas which had a major impact on employee motivation revealed some important differences between large and medium-sized employers. Large employers reported having policies of paying wages and salaries at a level higher than the level aimed at by middle-sized companies. Although our data was not extensive, what we did gather suggested that they did pay at higher rates. Larger employers also emphasized the "merit principle" more frequently than did the medium-sized employers. Large companies are more inclined to specify rules and regulations than are their medium-sized counterparts; if anything, there is a slight tendency for large employers to be more strict with their employees.

3. Benefits and services fall into two general categories--those with a direct influence on an employee's financial security and those which provide benefits to employees in such wide ranging areas as educational subsidies and free parking at work. The patterns of coverage under the financial security grouping were quite similar. Large companies were slightly more generous with time off to salaried and management personnel in the event of short-term illnesses. Medium-sized companies tended to spend more per employee on health, life and disability insurance, although complete data were not available from several companies. Pensions varied considerably insofar as the benefits provided were concerned. This variance was not associated with the size of the company, however. Only employers with large numbers of part-time or temporary employees excluded a substantial number of employees from pension plans; all other companies provided fairly complete coverage.

While the medium-sized employers equalled or surpassed large employers in the area of financial security benefits, the larger companies were more active in providing other forms of benefits--ranging from eating facilities to subsidizing memberships in external organizations.

4. An overall appraisal suggests that larger firms are more "sophisticated" in their personnel administration than are medium-sized companies. The large firms were more likely to engage in formal evaluation of previous policy; they planned policy more often than their medium-sized counterparts (which tended to be more reactive); the larger firms had a more conscious and explicit approach to managing human resources. In spite of the comparative advantage of the larger firms, it still must be noted that the overall level of sophistication for that group was not high.

5. There were notable differences between large and medium-sized firms with respect to how they reach decisions in setting policy. The larger firms made more use of personnel specialists, especially in policy formulation activities. Both were alike in the fact that final approval of policies was highly centralized. They were similar as well in the fact that neither permitted much influence from employees nor made much use of employee input in the development of personnel policy.

The top managers of large and medium-sized companies (those who made policy decisions) were quite similar in many aspects of their personal background. They differed primarily in the fact that large-company top management had significantly more formal education.

Downward communication through formal channels was more thoroughly presented and covered more issues in larger companies than in medium-sized.

#### NOTEWORTHY SIMILARITIES IN LARGE AND MEDIUM-SIZED FIRMS

The primary focus of this paper has been the contrast between large and medium-sized employers. The preceding section of this chapter outlines some of the highlights of the comparisons made and differences found; however the results reported in the preceding chapters often revealed similarities. Some of these similarities represented a pattern which we believe is worth noting. Some of the areas we studied revealed low levels of activity on the part of many employers in the study, regardless of size. While it is clearly a value judgment to argue that companies should be involved in a particular program or policy, there are cases in which we would be willing to advance such arguments. The following conclusions deal with areas which we saw as being poorly handled in most or all of the companies in the sample.

1. There were relatively low levels of planning, evaluation and analysis in the management of human resources. The main exception to this is the area of compensation, where surveys and various control devices were generally well developed. Especially noteworthy is the reactive posture of much of the personnel function and the lack of management programs predicated on the inter-relatedness of the sub-functions of personnel management and the interdependencies of specialists and generalists in managing human resources. In our judgment, there was room for substantial improvement in these areas in most of the companies we visited.

The problem of awareness of the systemic nature of human resource management was particularly noticeable in the area of the human resources logistics function. Forecasts of manpower needs and supplies were rarely part of the business plans of these organizations in ways which translated into action on the part of personnel specialists. Training and development grew out of immediate problems and available solutions, rather than out of a strategic approach to the utilization of people, the developing of careers, or the careful analysis of job requirements. Simply put, the flavor is ad hoc.

2. Attempts to motivate employees were primarily predicated on extrinsic motivators. Particular attention is paid to compensation, benefit plans and a variety of services which are provided to employees. Some of these are contingent upon performance, but many rewards, including promotion in many cases, are strongly influenced by membership rather than by performance. Thus, as was noted earlier in the report, patience rather than performance is the route to extrinsic rewards for many employees.

Many employers gave the impression of being concerned with the aggregate result of policies, but had not taken an approach that put much emphasis on the individual employee. Performance appraisal, where used, was not very frequently used in a developmental role. Similarly, there were very few programs to provide career counselling to employees who were trying to determine

whether their present job was appropriate to what they wanted or to what they could contribute. Such employer postures obviously can have a negative effect on the individual, but it can also be argued that job/person mismatches can represent serious costs to the employer.

Intrinsic motivation is tapped primarily by coincidence in most of the companies we studied. Few companies systematically attempt to tap the worker's feelings about the actual work as a way of increasing motivation. There were only two firms which were involved in job enrichment; only three firms had any formal recourse for employees with complaints (outside the grievance procedures found in collective bargaining agreements); beyond a few committees (the importance of which was minimized by some of the people in the companies involved), there was little or no mechanism for people to have an influence on the policies which governed their work lives. Only three of the twenty companies reported doing any employee surveys. Collective bargaining is largely limited to traditional issues. The result of this pattern is constricted upward communication and increased probability of feelings of alienation.

3. Employment is the predominant way in which people derive economic resources from our society. The individuals and families which rely on wages and salaries outnumber those who live on the earnings of their investments or are wards of the state. Thus whether people have access to employment has a great deal to do with whether they are able to be full participants in our society. It is possible to debate who has the responsibility to assure that employment opportunities are available to those people who wish to be employed. One thing became clear from our study, however. Certain groups who experience difficulty in obtaining employment are not being sought out by very many large or medium-sized employers. Only two employers reported any programs directed at employing members of disadvantaged minorities. Only two employers indicated that they had significant counselling programs for employees who were experiencing personal problems (usually restricted to alcohol related problems).

Whether employers should be more heavily involved in social initiatives is primarily a values question. Indications are that under present conditions only a small minority of them will become involved of their own volition.

#### PERSONNEL POLICIES AND PRACTICES: EFFECTS ON EMPLOYEE BEHAVIOR

The influence of personnel policies and practices on employee behavior has been implied at several points in this report. The influences on specific employee behavior are many and the unambiguous specification of cause and effect relationships is beyond the scope of this report. In fact, available data on employee behavior in these specific companies is limited to the companies' figures for turnover and some union-related procedures.

Table 48 presents the average rate of turnover for the years 1971 through 1975 for the companies included in this study. Some of the averages reflect less than five years experience; one company presented no data at all. Turnover varies widely among industries and between size categories within industries. The averages indicate a somewhat higher turnover rate in medium-sized companies. (The large companies have a lower average (19% per year) than do the medium-sized companies (26%).) Large employers have a comparative advantage, but they are still experiencing substantial turnover rates. Turnover cannot be attributed solely to personnel practices: a significant amount of it

results from personal circumstances and events which are independent of the employer's practice. However, a relationship between voluntary turnover and job dissatisfaction has been repeatedly demonstrated. Therefore, it is probable that the turnover experienced by many employers in the sample could have been reduced through changes in personnel policies and practices which would lower dissatisfaction. The specific costs and benefits of such personnel policies and practices are not known, however.

Table 48

AVERAGE ANNUAL TURNOVER: 1971-1975

	<u>Medium-Sized Companies</u>	<u>Large Companies</u>	<u>Industry Average</u>
Electrical Manufacturing	n.a.	12%	-
Paint Manufacturing	n.a.	13	-
Food Processing	5%	20	12%
Meat Packing	6	24	15
Oil Refining	22	13	17
Mining	42	23	33
Air Transportation	19	7	13
Retailing	24	26	25
Insurance	34	21	27
Banking	58	31	45
Mean percentage for size category	26	19	22

The incidence and duration of strikes in our sample is summarized in Table 49. The firms in our study were apparently less strike prone than national averages would lead one to expect. However, important differences within this sample are that large companies experienced longer and more frequent strikes than did the smaller employers. Our discussions with union and company representatives suggested that the physical remoteness of top management from operating locations and the institutionalized elements of big union/big company relationships led to more identification with the bargaining unit and less with the employer.

Both bitterly antagonistic and generally positive relationships are possible in medium-sized companies as well as larger organizations. The general pattern of large companies surpassing smaller ones in terms of formal policies did not lead to a better labor relations record. This may appear to repudiate the importance of personnel policies and practices. A closer inspection reveals that this is not the case. Those areas in which large companies surpassed their medium-sized counterparts (sophistication, training, and so forth) were remarkably similar (and low) in both size groups when we looked at the organized occupational groups. Thus the "advantages" of larger companies (from a personnel policy view) do not frequently apply to organized employees. Merit emphasis is constrained; training and development tends to be narrow.

Table 49

STRIKES: 1973-1975

	<u>Medium-Sized Companies</u>	<u>Large Companies</u>
Number of Strikes:		
1973	0	1
1974	2	13
1975	2	12
Average Duration (Days):		
1973	0	68
1974	2	18.7
1975	8	15.1
Average Number of Employees Involved:		
1973	0	1,300
1974	182.5	1,160
1975	72	947
Man-Days Lost* (also expressed as a % of possible man-days)**		
1973	0 (0.0%)	88,400 (0.200%)
1974	956 (0.012%)	270,000 (0.592%)
1975	170 (0.002%)	99,195 (0.218%)

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\* - Man-days lost are estimates computed from other data supplied;  
they were not explicitly requested.

\*\* - The presumption is that a man-year is 250 man-days.

It is not justified to assume that things would be different if it were not for the union. The strike experience of larger companies seems to be a function of the size and organizational "climate". One large employer, which had what was described as a "serious problem" with organized locations was experiencing success (less conflict, more cooperation) with several of their new locations where new managers and management procedures were being used. They stressed that the fact that these new locations were non-unionized was not the reason for the success, but said that they didn't have the flexibility in unionized locations to do many of the things they were trying at the new locations.

Unions in most of our companies had complaints to make about the employer. A few were general; more often they focused on particular issues, individuals or groups such as first level supervision. But there were only one or two occasions where there was not an overall favorable assessment of the employer's fairness and credibility. Thus the different rates of conflict between large and medium-sized employers seem to hinge on whether the institutionalized antagonisms are moderated by personal contacts, across levels and between groups.

In the medium-sized companies there tends to be such moderation. In large companies there was less.

We also asked our responding companies about the frequency of formal grievances which were processed. Unfortunately, we received usable data from only three pairs of companies, the Electrical Manufacturing, Mining and Air Transportation industries. The ratios of grievances per capita production employees in the years 1973, 1974, and 1975 are shown in Table 50 along with the mean grievance ratio for medium and large-sized companies over all years. Though one must be very cautious about generalizing from such limited data, what we have nevertheless suggests that large companies are considerably more prone to have grievances than medium-sized (13.0 per 100 organized employees per year as against 4.5 per 100).

Grievance rates varied widely between and within industries. The mining industry included both the highest and lowest rates of formal grievances. The other two industries reversed in terms of which size had the higher rates. Thus the means for the size groups seem to be tenuous indications, at best, of differences between groups of employers.

Table 50

GRIEVANCE RATES IN SIX COMPANIES: 1973-1975

	<u>Medium-Sized Companies</u>			<u>Large Companies</u>		
	<u>1975</u>	<u>1974</u>	<u>1973</u>	<u>1975</u>	<u>1974</u>	<u>1973</u>
Electrical Manufacturing	2.4	2.0	3.6	8.1	6.0	6.9
Mining	2.1	0.6	0.8	28.5	26.9	26.3
Air Transportation	10.0	8.9	10.5	5.6	4.5	4.2
Mean rate		4.5			13.0	

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Note: Grievances per 100 organized employees.

The data we have which deals with employee responses to personnel policies and practices is limited. It suggests greater turnover in medium-sized companies, more manifest conflict (with unionized employees) in large companies. These data are consistent with our assumption that personnel policies and practices have an important influence on what it is like to work for a company. However, this consistency is not positive support. To go substantially beyond the kind of inferences suggested in Chapter 3, the impact of personnel policy can only be identified by methodologies different from a descriptive approach such as the one employed in this study.

## PUBLIC POLICY IMPLICATIONS

Three general conclusions of this study appear to have public policy implications.

1. There is no obvious "disadvantage" in being employed by a large corporation. The sophistication of policies, level of pay, availability of training, utilization of merit criteria, and other issues as well suggest that employees may be in a better position in large as opposed to medium-sized companies. The manifest conflict in union-management relations was higher in large companies. In our judgment, this difference is a result of factors other than current personnel policies. There were no indications that there would be a net advantage to Canadian employees if large employers treated their subordinates the way the "average" middle-sized company in this sample did. Thus, there are no grounds suggested in this report for constraining or regulating large employers (more than smaller organizations) in employment matters.

2. Certain types of programs which might be seen as desirable by society in general are not likely to grow in number if it is left to business alone to initiate them. Specifically, we refer to the social initiatives area - the significant improvement of employment opportunities for disadvantaged groups (such as "minorities", those with a history of legal problems, women, and so forth). If employers can meet their employment needs without seeking out these groups, there is a natural reluctance to incur the perceived risks associated with such employees. Legal sanctions imposed on those who actively discriminate against these minorities may have some positive influence, but it is likely that major changes will only occur from requiring employers to demonstrate such changes in the results of their employment practices. If public policy objectives include rapid change in these areas, we would recommend that consideration be given to adopting ideas from such initiatives as "affirmative action" programs in the United States.

3. It was strongly apparent that the majority of companies in our sample did little or nothing by way of formalized efforts to develop and satisfy what we called "intrinsic motivation" - the feeling on the part of an employee of doing meaningful work and of having a say in that which affects him or her. Compared with programs in many European countries and even to a lesser extent in the United States, Canadian companies as represented by our sample are considerably less active. We would recommend, therefore, that the government take the initiative in providing advice and encouragement to business to aid them in experimental programs in job enrichment, employee participation in decision-making and improved communications systems. This initiative could be provided in the form of grants or forms of tax relief to provide incentive to experiment. Expertise and information could also be provided through publications, consultative services, training programs and the like.

There is no small amount of pessimism and alienation felt by employees in many of Canada's large (and middle-sized) companies. It is easy to blame this situation on conditions, events, and policies which originate beyond the confines of a particular job or workplace. The influence process works both ways. Work is important to the tone and rhythm of the lives of most Canadians. If changes are made in employment relationships which benefit both the organization and the individual, then the society benefits directly - both economically through the creation of additional real income and socially through the satisfactions experienced by individuals. Encouraging such improvements is a worthwhile undertaking.

#### NOTES

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(Continued)

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20. It is worth noting that none of the medium-sized firms sampled could indicate a starting rate for newly graduated M.B.A.s. This reflects a fact which is born out in our profile of top management personnel: the management of the smaller companies tended to have substantially less formal education than was true for the larger employers. It may be debatable as to whether this is a perfect correlate of management sophistication and expertise, but is an indicator of one major difference associated with organizational size.
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25. Wallace Clement, op. cit.
26. Miscellaneous services refers to such matters as food services, transfer policy, education tuition refunds, employee discounts on company products, etc.



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